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MARCH 1990

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PERSPECTIVE

East and West

These are tumultuous times in Eastern Europe. While refugees are flooding across borders, the Western media is making much ado about freedom, capitalism, and democracy. What is being lost in the shuffle is that West differs from East only in degree and not in kind. Western governments are also interventionist and they threaten to grow more so every year.

Freedom, capitalism, and *democracy* are catchy words, but we must be careful with them. Freedom and capitalism have never been fully attained, so we can speak only of degree. At present, we are better off than Eastern Europe, but the trends are ominous. As a small example, the West German government is offering to subsidize refugee housing. Thus, West Germans will be "free" to pay for their neighbors' well-being.

Democracy is surely the watchword of the 20th century. However, events around the world have demonstrated that democracy alone can guarantee neither prosperity nor stability. In fact, prosperity and stability seem to be the prerequisites for a workable democracy.

Prosperity and stability arise from the unrestricted, or the least restricted, exchange of goods, services, and ideas. As we watch the events of Eastern Europe unfold with great hope for the future, we must also remember to keep our own house in order. We must not be distracted. It is only our awareness and vigilance that stand between limited and unlimited government.

—DENNIS PEKIN
San Diego, California

Communism and Racism

It is the Marxist-Leninists who often think like racists with their continued blather about the proletariat and the bourgeoisie and their consequent refusal to confront the individual on his merit. This attitude has resulted in a sort of apartheid in the Soviet Union in which the *nomenklatura* (largely European, of course) has some of the privileges of a master race: special stores, a special currency, the right to travel, and the use of country houses and restricted vacation resorts.

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There is, after all, little difference in labeling a person a black and persecuting him and labeling him a kulak and persecuting him. In both instances there operates a superstitious kind of dehumanization. In the one case the human individual is sacrificed to some ghost called race. In the other he is sacrificed to an equally dubious specter styled class. It was no accident that when W. H. Andrews founded the South African Communist Party in 1921, he ended the party manifesto with the ringing words, "Workers of the world unite and keep South Africa white."

—LEONARD E. BREWSTER,
University of Zimbabwe

The Corruption of Socialism

When India gained independence in 1947, its government promised to take care of the nation's people. The state would supply the needs of its citizens without any of them having to plan or take risks. It was all very alluring.

In practice, however, the socialistic Indian government had to make millions of economic decisions. Suddenly, politicians and bureaucrats inherited enormous powers which they had discretion to use or, more appropriately, misuse. Corruption and nepotism started to spread.

Soon, prices were being set for political favors. To get a government job, the figure was close to the annual salary of the position. Bribes to get permits and licenses were decided by competitive bidding. State chief ministers, in spite of the support of the party high command, had to buy votes from their legislators. To win elections and stay in power, politicians needed a lot of money.

In one of the state capitals, a group of merchants paid the chief minister to designate a busy road as a one-way street. Businessmen on the other side entered the bidding war, and the street's orientation was changed several times, leading to a lot of creative driving.

The ability to collect and pass on bribes was rewarded. Following orders—even if they were in conflict with the laws and values of society—was the best means for advancement. Honest people were viewed as obstacles, and were weeded out or silenced. The rest gave up their values.

Corrupt leaders are not the reason why socialism fails. They are the products of a socialistic system. Without a fundamental rethinking of the relationship between the individual and the state, India will continue to be a land of great corruption.

—RAYASAM V. PRASAD
Jonesboro, Georgia

War on Drugs

The government declared "War on Drugs," but its citizens will have to wage it. How should we citizens fight this war? Let's get our priorities straight.

We must cut off the tremendous wealth the drug lords are amassing from the artificially high street-prices of illegal drugs. First priority then is to abolish the anti-drug laws that have allowed these dealers to become so financially powerful.

Once anti-drug laws are abolished, drug prices will fall to somewhere near the cost of production, and drug revenues will plummet.

The greatly reduced revenues of the drug lords won't completely solve the drug problem (remember, nothing will completely). But the entire illegal drug industry will be denied the extra funds it has been using for worldwide expansion.

We American taxpayers will get a double benefit from abolishing anti-drug laws. No longer will we have to face the staggering costs the government tells us will be needed to wage its war on drugs. In addition, the crimes committed by addicts to support their habits would be substantially reduced.

Abolishing anti-drug laws also will release our government from the hopeless task of trying to coordinate our drug policy with foreign countries. This would end the killing of Colombian officials for cooperating with U.S. policy.

If we succeed in repealing our anti-drug laws, cut off underworld excess profits, and save taxpayers the cost of massive enforcement programs, we will have taken an important first step. Then, perhaps, the remaining problem with individual addicts can be dealt with by more traditional means and institutions such as education, medical treatment, and rehabilitation.

—RICHARD W. HOLDEN
Avon, Connecticut

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THE FREEMAN
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The Grapes of Opportunity

by Hannah Lapp

"W e-e-e are go-o-oing down the A-arkansas River Bottom La-ands!" chanted four young girls standing up behind the cab of a '59 pickup truck on its way to an Arkansas hayfield. At ages 9 to 16, they were laborers already—field laborers, as was evident by the dark shades of their faces burned in the heat of southern summer. Their plain home-made dresses, some patched or mended, were tossed about by rushing air as the truck rolled along. Skirts and pigtails fluttered, and the spirited childish voices were all but snatched away, but that gave even more reason to sing out loud. Indeed, now was the time to sing, for in a few minutes more the pickup would stop and discharge the girls in a hayfield full of heavy bales to load. Once out of the wind, they'd feel the hot glare of sun in cloudless skies and 100 degree temperatures, which, combined with the strenuous work, would temporarily mute them.

The children were my sisters Lydia, Drusilla, Nancy, and Lavina, working for their own living and for their family. They were migrant workers in the bloom of their youth. The demands of the fields had given them muscles and grit, but alienated them from the world of parties, dances, theater, and dating. The fields and parental guidance had given them something they would not trade for anything else: self-respect, purpose, hope, and contentment. In the fields, you learned reward for labor.

Just the term "migrant labor" conjures repulsive images in the minds of many people who have heard of or seen only such examples portrayed in John Steinbeck's *The Grapes of Wrath*. The term is often associated with poverty, shame, desperation, and helplessness. What's frequently overlooked by those enjoying material ease is the fact that happiness isn't measured only by standard of living, and that poverty isn't necessarily unfortunate in the minds of those involved. There exists among human beings a wide range in personal attitudes and priorities regarding living standards. Some of this could be attributable to culture, some to personal feelings, and some to the human capacity of adapting to varying circumstances. It is important to recognize that these differences in priorities are normal and acceptable by society.

In our own migrant labor experiences, we were often appalled by the living conditions as well as careless manner of some of the other workers. But we learned through firsthand experiences that pitying them to the point of insisting on change was improper. You could break your heart over them, but they'd go right on singing, joking, and making merry amid their want and filth. For many of them, this was simply preferred over the disciplined, and to them, cumbersome, life of those who plan ahead and save toward ever higher goals. "You guys aren't happy till you got a million!" one migrant laborer observed of the more well-to-do society. "Well, we just got a dolla', we satisfied."

Tell my sister Drusilla that migrant workers are miserable, exploited people, and she'll draw her lips tight and face you with an ominous shine to the eye. "What are you trying to say?"

You're telling these people they are not capable of looking out for themselves, and most of them know that simply isn't the case. Drusilla will under-

Hannah Lapp is a dairy farmer and writer in Cassadaga, New York. This article is excerpted from a book she is writing about her family and their experiences as farmers and farm workers.

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stand what you mean when you talk about the physical strain for young children of long hours in the fields. She has felt the aching muscles and fatigue, the heat, the cold, the rain. She has felt the pain of on-the-job accidents; once, a misstep under the weight of a heavy burden of peaches left her with a leg gash that required 13 stitches. Drusilla's message to those who sit in government offices concluding from such instances that children should therefore not be permitted to work is, "You haven't got the whole picture."

Perhaps these people have never felt the demands of the fields and therefore cannot know the joy in completing a task or a day's work and being able to sit down basking in the bodily relief and mental satisfaction of having reached your goal. When you're a child, working with the encouragement of a close family, the opportunity to expend great efforts toward your family's livelihood, and bring in cash toward your joint needs and dreams, does to your sense of worth what almost nothing else can do. To try denying a family this opportunity sadly overlooks the individual desires and potential of a child. It is an insult to his dignity, an insult reinforced by child labor laws that have done today's youth more harm than the problem they were supposed to correct. I would not make this claim if I had not heard the figures of rising suicide rates among teens, not heard the tales of drug abuse, not seen the emptiness or even utter desolation in the eyes of America's youth who are being told, "We don't need you."

Measuring Happiness

What we need to recognize with children as well as adults is that there are different ways of measuring satisfaction and happiness. For example, sports for youth are viewed by most people as healthy recreation despite being at times extremely stressful both physically and emotionally. Field labor can give children all the envied fitness, fresh air, and chance for achievement as sports. Those individual cases where child labor is used to exploit and abuse children should be dealt with on an individual basis without casting an unfavorable shadow over the general concept of children as wage earners.

The effort to relieve the so-called plight of migrant workers has itself led to injustice by implying that a way of life which seems agreeable to one individual is intolerable to society. In his book, *The Ground Is Our Table* (Doubleday, 1966), Steve Allen does a good job of degrading the migrant worker by deploring his living conditions and then declaring him a helpless pawn of the farm employer. Some of the practices he laments, such as an eight-year-old picking beans all day, women picking crops at the top of "teetering" tall ladders, and a family using crates and boxes for furniture, are things to which we ourselves can say, "We've been there." And we object to having society bewail our "plight" because of it. The arrogant presumption that every person desires or should have the same standard of living, or that there is such a thing as a universally just level of material comfort, has led to many problems, including the welfare system itself.

Mr. Allen does expose some instances of migrant labor and living conditions that are unquestionably deplorable. What he fails to recognize in addressing the problem is the capacity within an individual to affect his own condition in either a positive or a negative way. Federal programs to solve the problem too often add to the helplessness and degradation of the human beings they were designed to aid. Private measures to relieve poverty are much more effective because they are more likely to encourage individual efforts.

We went to Arkansas, not as migrant workers, but in high hopes of establishing ourselves as a family dairy operation. Strout Realty's ad for a cheap farm caught Dad's eye, and the fact that it was located a thousand miles to the southwest didn't dismay him as it did some of the rest of us. Mom did not resist much, though—Dad's ventures always held the possibility of good fortune.

"A dairy farm," the realtor called the 50-acre lot set high in the northernmost fringes of the Ouachita Mountains. At one time someone had evidently milked cows in a tiny, simple milking parlor on the place, and mountain plateaus offered a little flat land for farming. Dad was assured that there was sufficient cropland around and that there would be jobs available for the children—although he had to wonder where the jobs were, considering that there were few other habitations for miles around.

It often occurred to Dad during the headaches that followed that perhaps we never should have moved away from our home in Virginia, where we had been able to maintain ourselves well. Yet he knew that his reasons for the change were legitimate. His job on the farm had been fine for just

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himself, but the lack of work at home for the children made the family wish for a better way: owning our own dairy farm. It was the undesirable part of the migrant work that prompted us to look for something better—and landed us in more of the same.

Back in the summer of '66 when Susan was born, Mom could not work away from our home in Clearbrook, Virginia, so Dad obtained three weeks leave from his farm position to take the three oldest girls 80 miles away to produce country in Chambersburg, Pennsylvania. When they were inquiring for work at a tomato-packing house, they met Ray Nessone, who would give the children field work through that season and the next. Dad and the girls weeded and picked tomatoes until late September, with weekly breaks at home.

Apple Picking

By apple season in October, Mom felt she could wean her four-month-old baby and go to Chambersburg. Drusilla and sometimes Lydia accompanied her to the orchards and soon learned to pick as fast as she did. Drusilla built up her muscles, acrobatic skills, and self-confidence in the process of aiming for the highest possible count of bins per day. Mom was still a little stronger than her daughters and moved the high, heavy, and awkward ladders for them—but she let spunky, 13-year-old Drusilla do the tops of the tallest trees.

The girls seemed to cope well with heights, perhaps from having had childhood experiences in climbing. Lydia, Drusilla, and Nancy had been just 7 years old and up at the time when they used to help Dad catch pigeons for selling. They went out to neighborhood barns at night when the birds slept, and Drusilla and Nancy learned to climb high up under the barn roofs, hugging big beams with both arms while carrying flashlights in their mouths. Nobody told them they had to do it, but neither were they told they couldn't.

Apple picking involves a variety of skills, the most crucial ones being the positioning of ladders on springy tree branches and having a good sense of balance. Carrying the monster of a ladder without having it carry you is one step. Then you need a good eye for the proper "set" in the tree, where the ladder will rest against a branch while its legs sit firmly on the ground. Suspender-type straps support a three-quarter-bushel bag against your chest so that you can use both hands for climbing and picking.

You learn constantly to test your ladder's balance while your hands fly from apple to bag, and you explore the bounds of stretching and leaning from your ladder. Ladders do tip, slide, and flip, so you must have some awareness of the closest good branches to grab in the case of your feet suddenly kicking into thin air. Drusilla learned to deal with a flipped ladder by monkeying down its underside with her hands when she happened to find herself dangling underneath it instead of resting on top. She even unnerved our mother by drawing Mom's attention to her feat with a spirited "ya-hoo!" as she went.

Apple picking is special the way it's so rough and so pleasant together. Tree branches whip your face, your shoulders sag from the weight hanging on them, and how your muscles hurt the first few nights after work! But by the time you're broken in, you're attached to it. It's generally less harsh work than tomato picking where you continually stoop, and the occasional wet and cold days of late fall are kinder than the summer heat of tomato season. There are factors like crop condition, weather, and employee management that make the difference of misery or pleasure on the job, and a good worker must take some of both. Mom and Drusilla sometimes put up with conditions that scared off most of the other pickers, partly in an effort to do their job well, and partly because you're anxious for work when you're far from home.

The next year, 15-year-old Lydia led her younger siblings in tomato picking. Early each Monday morning, Mom took the crew of five or six eager young bread-earners to the shanty at Ray Nessone's, left a food supply with them, and returned 80 miles home to get the day's laundry done and serve the rest of the family. On Wednesday night she would make a big kettle of soup, and the whole family would gather together at the shanty for supper, singing, and fellowshiping until it was time for the parents and youngest ones to go back home to Clearbrook.

It was an exciting experience for the young workers to practice fending for themselves, to discover how much money they could make if they worked really hard. Lydia, the crew leader, knew how to keep the younger ones in control while spurring them on with her own good cheer. "It's time you got up! The eggs are getting hard as

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bricks!" might come her energetic call at six o'clock in the morning as she made breakfast.

They'd eat their Shredded Wheat, milk, and eggs, wash dishes, and get out to the fields at sunup. The girls' skirts would get soaked if there was much dew in the morning, for the tomato plants were big, and so were the weeds in some places. There'd be a half-hour lunch break at noon with Velveeta cheese sandwiches, fig-bar breaks in between, and water handy for when they were thirsty. Otherwise, they lost little time.

The sun would become hot as the day advanced, and the weeds more prickly—weeds that were tall enough for a six-year-old like Barbara to hide behind to cry when things got too tough. But Barbara was big and strong in physique for her age, and even stronger in psyche, so she wouldn't be left out. Sticking with the crew from sunup to "can't see" most days, she'd aim for her goal of 30 baskets of tomatoes—worth about four dollars. Sometimes she'd make it, and the pride would gush through her being to drown out her aches and pains. The physical drain on her energy would temporarily subdue her, but she'd march pretty tall in the walk home from the fields. Her hands would be almost as green with stain from the tomato vines as her brother Chris's and her big sisters' hands, and she'd scrub them long and hard with Mione soap. Even then, there would still be plenty of stain left to show Mom and the younger ones when they came.

After a supper of potatoes with canned pork-and-beans, the littlest tomato pickers would scrub faces, feet, and legs, and drop right off into good, deep sleep in their bunk bed, so that when morning came they'd be ready for another day. □

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Soviet Economic Reforms: An Inside Perspective

by Yuri N. Maltsev

The crisis in the Soviet economy is now apparent to both Soviet and Western observers. The causes and manifestations of this crisis have been cogently described elsewhere.[1] The response of the Soviet ruling class to the deteriorating economy and growing societal alienation was the program of reforms known as perestroika, which was initiated in 1985 and significantly amended in 1987 and 1989.

A number of scholars have provided interesting analyses of the perestroika reforms, drawing on the history of past attempts (in 1957, 1965, 1974, and 1979) to restructure and reform the Soviet economic system. Much less attention has been paid, however, to the problems involved in making the transition from a centrally planned economy to a market system. Understanding the challenges of this task is of crucial importance both for assessing the prospects for reform in the Soviet Union and Eastern Europe and for shaping a coherent policy toward events and reforms in these parts of the world.

Fast-moving events in the Soviet bloc hold out the promise of a possible end or amelioration of the decades-long conflict between East and West. In light of the stakes involved, it is urgent to understand accurately the nature of the declared reforms and prospects for their success.

Dr. Maltsev was, until last summer, a Senior Researcher at the Institute of Economics of the Academy of Sciences of the U.S.S.R. in Moscow, where he worked with a team of leading Soviet economists on Mikhail Gorbachev's package of economic reforms. He is now a consultant with The Jamestown Foundation in Washington, D.C.

The spectacular failure to date of the "radical" economic reforms in the U.S.S.R. has been due to the unwillingness or inability of Mikhail Gorbachev's administration to part with the obsolete and economically destructive Marxist-Leninist ideology and its economic doctrines. Mr. Gorbachev and other spokesmen of the Communist Party are quick to point out that their commitment is not to abandon, but to "better and improve" the current system. They view the socialist system as progressive and correct; its failures in practice, they maintain, result from a lack of discipline and deviation from Marxist-Leninist principles.

The whole package of economic reforms adopted by the Communist Party Central Committee in June 1987 was aimed toward "perfection of the economic mechanism" and included measures which at best can be considered as inadequate to deal with the present situation. Designed by departmental bureaucrats and their academic assistants, these measures were rubber-stamped by inexperienced and economically incompetent officials who were easily deceived by the radical talk of the new ministry heads. The effect of these "reforms" on the economy was disastrous—they seriously undermined the vertical system of economic management but failed to replace it with horizontal linkages between enterprises. While the set of negative incentives for managers (discipline was maintained by the fear of being relieved of their duties or even loss of their Party membership cards) no longer works, the positive incentives failed to appear.

The real character of the so-called centrally

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planned economy is well illustrated by a quip I heard some years ago by the Soviet economist Nikolai Fedorenko at a session of the Scientific Council of the Central Institute of Econometrics in Moscow. He said that a fully balanced, checked, and detailed economic plan for the next year would be ready, with the help of computers, in 30,000 years. There are millions of product variants. There are hundreds of thousands of enterprises in industry, agriculture, construction, transport, and distribution. It is necessary to make thousands of millions of decisions in the area of materials supply alone. The plans must also relate to labor force, wages, costs, prices, profits, investments, and economy of materials. These decisions originate from different parts of the planning hierarchy. They are all too often inconsistent with each other, as for instance when supplies don't match the output plan. Because next year's plan must be ready by next year, and not in 29,999 years, it is inevitably neither balanced, nor disaggregated.[2]

Today the concept of "directive planning" is being substituted by a system of economic normatives, state orders, and control figures which their creators claim are of a "truly revolutionary nature." But what kind of revolution is it when the state orders usually cover from 80 to 100 percent of the enterprises and all supplies are based on "non-obligatory" control figures?

Moreover, the so-called "political economy of socialism," formulated by Joseph Stalin in 1952, is still considered to be the sacrosanct theoretical foundation of economic policy and applied economic analysis in the U.S.S.R. It is nothing, however, but a collection of political slogans discredited by harsh economic realities. For example, according to the "political economy of socialism," the main economic law of socialism is the "Law of the Complete Fulfillment of the Rising Needs and Requirements of the People." Other "basic laws" include the "Law of Remuneration According to the Quality and Quantity of the Work Performed," the "Law of Planned and Proportionate Development of the Socialist Economy," the "Law of Reproduction of the Population on the Basis of Rising Standards of Life and Constant Improvements of Living and Working Conditions," and so on.

It is a testimony to the strictures and rigidity of economic theory in the U.S.S.R. that much of the ferment of perestroika has involved little more than heated discussions about these Orwellian "laws." Some Soviet scholars argue, for example, that these "laws" can implement themselves only through the rational, conscious activities of the planners. Others oppose this view with the notion that this approach is contrary to the Marxist-Leninist assumption of the independence of production relations (objective phenomena) from the will and mentality of the people (subjective phenomena). The absurdity of the current situation in Soviet economic science is manifested by the existence of a third school, which insists that economic laws can exist but not operate.[3] None of these "scientific" discussions have helped increase the supply of goods on Soviet shelves. Instead the obsolete theories are a significant part of the problem.

Another basic problem is that for the last 70 years, Western economics has been depicted in the U.S.S.R. as "bourgeois vulgar political economy." As a result, the vast majority of Soviet economists are unfamiliar with even its basic tenets. The old and discredited dogmas of Soviet economics are perpetuated by the system of higher education and academic training. The few Soviet economists who taught themselves modern economics have no access to the decision-making process, which is still dominated by economists like my former colleagues Abel Aganbegyan, Leonid Abalkin, and Boris Milner, and other economic advisors to the government, who may pretend to be reformers but still fall within the Marxist-Leninist mainstream.

The Economy Deteriorates

All of these factors, as well as the opposition of hard-line *apparatchiks* to any reforms (even the piecemeal ones), and widespread public confusion caused by the still-prevailing egalitarian thinking,[4] have led to the serious deterioration of an already stagnant economy. The command economy was virtually disrupted by 1987, while the market economy failed to appear because of the inconsistency of the reforms package.

The most disastrous of all of the proclaimed "reforms" was in the field of labor and wage policy. Begun in September 1986, this reform was aimed at increasing wage differentials and reducing the army of 11.5 million industrial managers. The reform was supposed to establish special relations between wage hikes and productivity.

The execution of this reform was assigned to the State Committee of the U.S.S.R. on Labor and So-

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cial Affairs. The results were quite the opposite to those expected: managerial staff, instead of being reduced, rose by 600,000, while income differentials increased but with no relation to productivity—all the gains were enjoyed by the very same managers whose numbers were supposed to be reduced. At many enterprises, the costs of the additional supervisory staff were simply included into the unit labor costs without any explanation or justification. The provision calling for linkage between wages and productivity was circumvented by false reporting, which is more common today than at any other time in Soviet economic history.

The labor/wage reform succeeded only in discrediting perestroika and Mr. Gorbachev in the eyes of the workers. The result has been the recent industrial unrest and the demands of the first Soviet free trade union—the "United Front of Workers"—for Mr. Gorbachev's impeachment. The workers claim that the policy of restructuring was initiated by corrupt party and government officials, industrial managers, and liberal-minded, pro-Western intelligentsia who want to launder money they accumulated during Brezhnev's era, to re-establish capitalism, and to enjoy new privileges at the expense of the working class. This labor hostility was manifested during last summer's coal strikes, when the workers demanded the abolition of all forms of private business, especially cooperatives.

Rather than move forward with its reforms, the Soviet government is now trying to forestall social upheaval and reduce labor unrest by introducing rationing of most food items. The latest remedies and prescriptions issued by the Academy of Sciences of the U.S.S.R. and other government think tanks are testimony to the desperation of the Soviet leaders. For example, Academician Georgi Arbatov suggests that the U.S.S.R. must sell its strategic gold reserves to finance perestroika, arguing that this will immediately produce such positive economic results that the gold expended will very soon be replenished. Academician Leonid Abalkin seriously suggested in his speech to the Presidium of the Council of Ministers of the U.S.S.R. that one of the most important and urgent ways by which to stabilize the disintegrating economy was to construct boarding and lodging recreation facilities for families. Such construction, in his view, will absorb 20 to 30 billion rubles from the money market and thereby greatly improve the financial situation.[5]

At the same time, bureaucrats with full support from the Academy of Sciences are introducing new prohibitive measures that seriously jeopardize any prospects for real improvement. For example, on August 15, 1989, new customs duties were introduced that at first sight seemed liberal—duties were reduced for 146 items including foodstuffs, children's apparel, and footwear. However, new and heavy levies were imposed on all types of computers, electronics, and most durable goods. According to estimates by the Soviet Academy of Sciences, the Soviet Union's computer capacity equals that of Thailand, which is 10,000 times less than that of the United States.

Lying with "Statistics"

The lack of sound economic theory is compounded by an absence of reliable economic and social statistics. Leading Soviet economists use CIA and other Western estimates rather than official Soviet statistics to support their arguments.[6] (And Western estimates are no more reliable when they are based on Soviet data.)[7] Until recently, statistics were treated as a form of economic propaganda and as such were used mostly to illustrate the "achievements" of the Communist Party. Even today, official statistics are frequently based on deliberately falsified reports of the ministries, republics, regions, districts, and enterprises, which are inclined to report economic indices in a way that is beneficial to them. National accounts in the U.S.S.R. are calculated by simply adding up the value of all material outputs at their stated prices. Services and other nonmaterial incomes aren't included. This approach, based on the Marxist concept of "productive" and "non-productive" labor, leads to some of the paradoxical statements of Soviet economics. The dentist, for example, is a "non-productive" individual while the dental technician is a "productive" one.

In the Soviet Union, where the "market" (i.e., the existing system of distribution) is totally monopolized by government ministries and enterprises, prices do not reflect costs, nor do costs reflect anything except local or departmental bureaucratic interests. Centrally planned investment decisions, as well as government campaigns against the so-called "duplication and parallelism" of the 1960s and '70s, led to a situation where the rate of

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monopolization of production of most commodities is up to 100 percent. Moreover, Soviet prices are distorted by huge subsidies (104 billion rubles in 1989) and heavy indirect turnover taxes (105 billion rubles). These taxes sometimes constitute from 90 percent (cars) to 95 percent (alcoholic beverages) of the retail price.

Senseless economic decrees and regulations are being issued by the Council of Ministers of the U.S.S.R. at an accelerated speed of 2,000 per year, compared with "only" 500 to 700 a year during the Brezhnev stagnation years of 1965 to 1982. The 18 million bureaucrats employed by the system still determine everything in the sphere of production, distribution, and consumption. In the current situation, when 234 of 277 basic consumer goods included by the U.S.S.R. State Committee on Statistics in the "market basket" of the Soviet people are now outside the state distribution system, the power of these bureaucrats hasn't diminished, as was expected by the advocates of reform, but has increased enormously. Given such a system, there is no room for hope that in the foreseeable future the needs of the customer will influence what is to be produced.

How Bad Is the Crisis ?

Because of the lack of reliable economic data, it is impossible to quantify the depth of the economic and social crisis in the Soviet Union. Vital statistics, which to my mind are the best (although an indirect) source of information on the real economic situation and quality of life in the U.S.S.R., show absolutely desperate figures: life expectancy, the infant mortality rate, housing, and nutrition statistics can be compared only to those of developing countries. This is especially true in the more backward regions of the Soviet Union—central Asia, the autonomous republics in the northern part of the U.S.S.R., and Azerbaijan.

As my former supervisor, Deputy Prime Minister of the U.S.S.R. in charge of the economic reform, Academician Leonid Abalkin, has said, "If in 1.5 to 2 years the economic situation does not stabilize and no improvements are made, a shift of society to the right [i.e., to Stalinism] will be inevitable. What form this will take exactly, I don't know."[8] Unfortunately, there are no visible reasons for such a stabilization to occur.

Moreover, desperate economic adventurism is assuming larger and larger proportions. According to my estimates, the issuance of paper money unsupported by an adequate growth in the production of commodities reached 20 billion rubles in 1989. The devaluation of the ruble (from $1.60 to $0.16) in September 1989 is the direct result of decades of arbitrary expansion of cash in circulation which was not supported by an adequate growth in commodity production. Soviet consumers joke that the ruble has come to resemble a lottery ticket more than a currency. An estimated 300 billion "hot rubles" are in circulation—forced savings that would immediately be spent if anything worth buying appeared on the market.[9]

An urgent discussion is now going on in the West about how best to assist the Soviet Union and Eastern European countries in their efforts to reform their crippled economies. The economic crisis confronting the U.S.S.R. and Eastern Europe offers the West a unique and unprecedented opportunity to stimulate genuine economic and political reforms there. Such constructive leverage can be brought to bear through active, coordinated, and disciplined financial and trade policies. The goals of financial and other economic assistance to the U.S.S.R., both on a bilateral and multilateral basis, should be the following:

1. In the economic sphere
   a) Massive privatization of the economy;
   b) Denationalization of land and abandonment of the *kolkhoz* and *sovkhoz* system (collective and state farms), which is still based on forced labor;
   c) Massive reallocation of resources away from the military to the civilian sectors of the economy;
   d) Sharp reductions in the size and power of the bloated government bureaucracy, elimination of its expensive privileges, and limitation on the share of national income commanded by the state budget (81 percent in 1989).

2. In the political sphere
   a) Creation of a true multi-party system;
   b) Legalization of free trade unions;
   c) Establishment of a genuine legal system with an independent judiciary.

Continuing present, undisciplined Western lending practices (especially untied loans) serves

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only to postpone the need for genuine economic restructuring in the U.S.S.R. and thereby increases the likelihood of socio-economic chaos. The best form that Western assistance can take is to provide the Soviets with a thorough, dispassionate economic analysis of their situation and an economic theory of transition to a free market system. The truism that "nothing is more practical than a good theory" is completely applicable to the present situation in the U.S.S.R. and Eastern Europe.

So, the main problem of Soviet economics today is the lack of understanding that mere recognition of the crisis isn't enough to deal with the situation. Today it is obvious that no amount of reforms aimed at the "perfection of the economic mechanism" can make the Soviet economy work unless the very foundations of the system are changed. The answer to the question "What should be done?" is obvious. That requires the establishment of a multi-party system, privatization of the economy, and denationalization of land. More specifically, the transition to a market economy should include:

- Introduction of employee shareholding plans at all industrial enterprises and most service establishments;
- Creation of stock exchanges and provision for free trade in shares;
- Restructuring of *kolkhoz* and *sovkhoz* farms into genuine independent cooperatives securing the rights of the peasants to withdraw with their share of land and other common property;
- Elimination of state price controls starting with luxuries;
- Creation of a national labor market by eliminating residence requirements (*propiska*) and securing the rights to travel and work anywhere in the U.S.S.R.;
- Immediate demunicipalization of housing;
- Drastic cuts in military and other government spending;
- A Ludwig Erhard-type monetary reform and achievement of currency convertibility on international markets;
- Liberalization of foreign trade and creation of favorable conditions for foreign investors.

Suggestions such as these, unfortunately, are ignored by Soviet leaders because it is obvious to them that the implementation of such a program would lead to their ultimate loss of power. Certainly, the transition to a market economy would be rather painful, but, to my mind, unavoidable in view of the present situation which already is unbearable. As the Soviet economist O. Bogomolov recently admitted, "The final choice in favor of the market has not been made."[10] The time that will allow such a choice is expiring. □

1. See, for example, Abram Bergson, *Planning and Performance in Socialist Economies: The U.S.S.R. and Eastern Europe* (Boston: Boston University Press, 1988); Padma Desai, "Perestroika, Prices and Ruble Reform," *The Harriman Institute Forum*, November 1989, pp. 1-8; S. Andreyev, "Struktura vlasti i zadachi obschestva," *Neva*, 1989, No. 1, pp. 143-173; Rachel Walker, "Marxism-Leninism as Discourse: The Politics of the Empty Signifier and the Double Bind," *British Journal of Political Science*, April 1989, pp. 161-89.

2. Also cited in Alec Nove, "The Problems of Perestroika," *Dissent*, Fall 1989, p. 463.

3. For an overview, see A. Nekipelov, "Is plena mifov i dogm," *Kommunist*, 1989, No. 7, pp. 21-29.

4. During the discussion of the Law on Taxation at the fall 1989 session of the Supreme Soviet, a People's Deputy from Khakassia took the rostrum to declare that behind the new Soviet cooperatives lurk Washington and the CIA. (*Moscow News*, 1989, No. 33, p. 7)

5. Yu. P. Chaplygin, "Ekonomicheskaya Reforma: v poiskakh putei razvitiya," *Izvestiya AN SSSR*, Ser. Ekonomicheskaya, 1989, No. 3, pp. 18, 19.

6. *Ibid.*, p. 21.

7. See, for example, Franklyn D. Holzman, "Politics and Guesswork: CIA and DIA Estimates of Soviet Military Spending," *International Security*, Fall 1989, pp. 101-31.

8. *Moscow News*, 1989, No. 26, p. 12.

9. *The Washington Post*, December 1, 1989.

10. *Moscow News*, 1989, No. 26, p. 12.

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Auto Insurance Chaos in California

by D. T. Armentano

In November 1988, California voters changed the rules of the game in the automobile insurance industry. In passing Proposition 103, they decided, among other things, to vote themselves a 20 percent reduction in automobile insurance rates and to remove the insurance industry's antitrust exemption. In May 1989, the California Supreme Court sustained that vote with some important qualifications.

The Court held, consistent with a long legal precedent, that insurance rates could be lowered, but that the new rates must be sufficient to allow the private firms to earn a "fair and reasonable" rate of return. If, for instance, the firms were making extraordinarily high profits, then prices might be regulated downward. But if, as many of the insurance companies contend, they were experiencing a loss underwriting auto insurance in California, then insurance rates might have to be increased to restore a "reasonable" level of profitability. Indeed, many California auto-insurance carriers already have filed for rate increases consistent with the state Supreme Court ruling.

The political fight to lower auto rates in California was led by prominent consumer advocates who first greeted the Court decision warmly. After all, had they not argued that the unregulated insurance market was incapable of setting fair and efficient prices for auto insurance? Government regulation of insurance company classification and territorial rating plans was necessary, they held, to provide fair auto rates to consumers. In addition, they were convinced that the antitrust exemption allowed the insurance companies opportunities to collude in restraint of trade. Ending the exemption, they argued, would end the collusion, increase competition, and lead to lower insurance prices.

Although the consumer advocates got what they wanted from the political process, they already are having second thoughts. And well they should. This "new" system of regulation is open to massive abuse by both the regulators and the regulated. The central difficulty is one of information. In the absence of a genuinely competitive market process, neither the regulators nor the regulated can know which prices or profit levels are appropriate or reasonable. The pricing problem is made especially difficult in property/casualty insurance since most of the "costs of production"—the loss experience—can be known only *after* the policy period has ended. This ultimate indeterminateness of (loss) cost in insurance makes the governmental attempt to set fair rates doubly absurd.

Non-insurance firms know their expenditure costs before they determine suggested prices for their products or services. The insurance business is fundamentally different. The total costs of insuring a motorist, for instance, can be known only at the expiration of the auto-policy period. This uncertainty concerning loss costs can be alleviated somewhat by the inter-firm pooling of historical loss experience in an attempt to better predict future costs. But these predictions often go wildly astray in the short run, and they contribute to the cyclical nature of insurance profitability.

Prior to Proposition 103, the competitive market process determined the ultimate reasonable-

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ness of insurance rates and profits in California. Insurance firms that met modest capital and surplus requirements entered the market, pooled loss data, and wrote policies at rates that they expected to be profitable. Although entry and firm rivalry were restricted somewhat by law, and although the state regulated many other aspects of the property/casualty business, pricing (and profits) were determined essentially by market forces.

All of that has suddenly changed. Prices of auto insurance and the profitability of the insurance companies now must be determined by the California Insurance Department and, ultimately, by the courts. But given the fundamental subjectivity of costs and the inherent instability of profits in this industry, it is unclear how *any* regulatory process will be able to work efficiently. To put the matter bluntly, how can the regulators rationally decide which costs and expenses are appropriate and which rates of profit are reasonable?

Consumers Not Well Served

Regulatory history in insurance and other industries demonstrates that the regulated firms often have the upper hand in this process. For example, if the regulators rely on the firms for the essential expense and loss information (as they must), and if the state further restricts entry into the market, then the companies may be able to manipulate prices to near-cartel levels. On the other hand, if the insurance regulators are "tough" and systematically underestimate costs and expenses, or decide (as they recently have done in California) to freeze auto rates while they deliberate questions of "unreasonableness," then the insurance companies may choose to reduce supply availability and even abandon the market. In either case, consumers of insurance services will not be well served.

Ending the state antitrust exemption in California also will hurt consumers. Since the carriers were using the exemption to share essential loss-experience information, ending the exemption will lead to higher information costs in the industry. Many of the larger carriers have a sufficient pool of experience to make rational rates without sharing information. But hundreds of small insurance firms rely on the sharing of industry cost data and would not be efficient without it. Thus, ending the antitrust exemption will force many insurance firms out of business or into consolidation with larger companies. None of these developments is unambiguously pro-consumer.

Consumer advocates in California misled voters into believing that additional governmental intervention into auto insurance would improve consumer welfare. But government regulation of prices and profit rates can hardly be a step forward for consumers. Indeed, rate-of-return regulation is an attempt to restore the economic past in insurance.

A genuinely open market, where firms are free to be rivalrous *and* cooperative, is the economic wave of the future. In insurance, this means that markets must be opened to non-insurance companies (Proposition 103 does allow banks to sell insurance); that firms must be free to share risk and loss experience data (their antitrust exemption should be retained); and that companies must be free to price their policies and earn any return based on their relative efficiency. In short, all state regulation of insurance products and services should be curtailed.

The crisis in auto insurance is due to inappropriate regulation (Massachusetts is an even better example than California) and uncertain and wildly irrational tort law decisions. State governments would do well to fix their tort law crises and leave the insurance industry alone. □

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Friendly Societies: Voluntary Social Security — And More

by John Chodes

In his retirement speech as Speaker of the House, Tip O'Neill contrasted the world of small government in the 1930s, when he entered politics, with today's big government emphasis on social services, which he helped create: "Health insurance was out of the question. For the elderly, life was filled with uncertainty, dependency and horror. Only the lucky few had pensions. There was no such thing as social security."[1]

O'Neill was wrong. Working class families had a "safety net" long before Uncle Sam became involved. Our grandparents and even great-grandparents had benefit plans that protected them when they were sick, injured, out of work, or too old to work. Millions of workers belonged to "friendly societies."

Various forms of friendly societies have existed since ancient China, Greece, and Rome. In Britain, they arose out of the guild system. Daniel Defoe wrote in 1697 that friendly societies were "very extensive" in England. In the mid-18th century, as the Industrial Revolution hastened the growth of British towns, the friendly society system became well established. Sometimes they were called fraternal societies, mutual aid societies, or benefit clubs. Similar organizations developed in the United States in the 19th century.

The lengthy success of the friendlies reflects that they were much more than benefit institutions. Friendlies were voluntary self-help associations, organized by the members themselves. The workers regarded the friendlies with great pride, as their own creation. More than just a means of support, they brought independence from the degradation of charity.

Friendlies served social, educational, and economic functions, bringing the idea of insurance and savings to those who might not have planned for the future. The social aspect of the friendlies should not be underestimated. Their meetings included lectures, dramatic performances, and dances both to inform and to entertain members.

Since members took turns at managing the friendlies, the typical workingman developed executive skills that could prove valuable in his everyday employment.

Nineteenth-century commercial insurance companies couldn't compete with the friendlies, so they focused on business clients and the rich. Workers were suspicious of the companies because of their numerous failures and scandals. Besides, insurance rates were higher than those the friendlies charged for comparable benefits. The reason? Friendlies didn't solicit. Thus, there were no salesmen and no commissions. Also, the member-managers worked on a volunteer or token salary basis.[2]

Types of Friendlies

Friendlies usually were formed by people with a common denominator, like the same occupation or same ethnic, geographic, or religious background. Thus, there were the Czechoslovak Society of America, Providence Association of the Ukranian Catholics in America, Locomotive

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Engineers Mutual Life and Accident Insurance Association, and the Fraternal Society of the Deaf.[3]

Unlike today's compulsory and standardized state-run plans, friendlies provided dozens of benefit packages. Each person created his own plan. One could retire at 60 or even 50 or get unemployment or illness aid equal to one's own wages. All that was required was higher premiums.[4]

Originally, friendlies insured against "disability to work," with little distinction between accident or sickness. This also came to mean "infirmity," i.e., insurance against old age. Most friendlies paid for a doctor's services, burial expenses, annuities to widows, and educational expenses for orphans. They built old-age homes and sanitariums for members and their families. Even in their early stages, they offered unemployment benefits for those in "distressed circumstances" or "on travel in search of employment." The most common pay-outs were for maternity leave and retirement pensions.[5]

1. Dividing Societies

These were among the earliest British friendlies, developing in the 1750s. After making payments for specified "events" (sickness, retirement, death, unemployment), the society would divide the balance of its fund among its members at the end of the year. The disadvantage of this was the constant need to recruit young people because these societies had no reserves, and the bulk of their claims tended to come from older members.

Still their appeal was considerable. Each contributor received an annual return even when things were going well. The fees were uniform and easy to calculate. They used no actuarial tables (which were considered morbid for predicting the odds of sickness and death). The contributions were higher than at other types of friendlies, but the members got back a lump sum at the end of the year. Dividing societies combined insurance with the idea of savings. As such, they advanced loans to members.

A good example of a dividing friendly was the Union Provident Sick Society. In 1880 its rules provided that no one would be admitted under age 16 or over 31. A 12-man executive committee was rotated among the society's members. Meetings were held "every quarter night." There were a small entrance fee and a small contribution every two weeks. Eighty percent went into the fund, 20 percent toward management. Sick benefits were roughly 25 to 33 percent of weekly wages for a year, and 15 to 20 percent for the remainder of the illness. For members over the age of 20, contributions and benefits were double. The surplus was divided each December, the members receiving shares in proportion to their contributions.

Five percent of the Union Provident's members were self-employed tradesmen or manufacturers who didn't need the society's help. They had been workingmen when first admitted, but still remained to show their moral commitment and to donate their managerial skills to the society.

Friendlies that did not divide gave higher benefits. One example was the Hitchen Friendly Institution. It provided benefits equal to full pay for a year to a member who was out of work due to illness, and half pay for the remainder of the illness.[6]

2. Deposit Societies

An English clergyman, Reverend Samuel Best, originated this more sophisticated system. He introduced the concept of savings to early industrial workers. The deposit system connected the savings account with an insurance account so that the benefits for sickness or distress were derived partly from each. The member had a specific credit in the insurance fund based on his savings, but the claim ceased as soon as his own fund was exhausted. This promoted thrift by encouraging the member to add to his savings, not to drain off the account.

If a person remained healthy throughout his working life, when he retired he would have a large amount in his personal account. With much sickness and exhausted savings, the sickness or distress benefits ended, but were replaced by "grace pay," which could be drawn for as long as benefits had been drawn. Grace pay related to the amount of savings.

The deposit system had major advantages over others. It did not use actuarial tables, which would force higher contributions on the elderly or sick, or exclude them from membership. Admission was without limitation.[7]

3. Burial Societies

This was the one area where commercial insurance companies competed successfully because the "event" (death) was easy to verify and actuarially predictable. For a long time burial societies were illegal because they "gambled on death."[8]

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4. Factory Societies

There is a widespread belief that the 19th-century factory owner was heartless, providing no benefits for his workers. That picture is false, as evidenced by this report from an 1891 study of workingmen's associations: "There is scarcely a single large establishment . . . which does not make provision for its employees, whether accident, sickness or burial. The management is in the hands of the workingmen, while the firm acts as treasurer, exercising some supervision, and represents a moral influence through its chief officers. Membership was supported by the firm. These subsidies gave substantial benefits for small contributors."[9] Another study noted that "the mill owners have created a fund, applied to the encouraging of women to cease work for a sufficiently long time before and after the birth of their children to prevent injury to the constitutions of mother or infant."[10]

5. Building Societies

Building societies were workingmen's financial institutions. They lent money to members for the purpose of buying a home. The "terminating" type ceased existence when all the members had bought a residence. The "permanent" type had more of the characteristics of a contemporary bank.

These societies had a powerful influence until fairly recently. Between 1918 and 1939, half of the

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homes built in England were purchased with the aid of building society funds.[11]

6. Fraternal Societies

"Fraternals" were more like life insurance companies in that they tended to focus on death benefits and pensions. Because of this, in the long run they were more easily absorbed by the large commercial insurance organizations.

There were dozens of variations of fraternals. Those with branches (or lodges) were commonly called "affiliated" or "federated" orders, with divisions of power between the central administration and the regional branches. Those without branches were referred to as "unitary" societies.[12]

Downfall of the Friendlies

The friendlies did not collapse financially. Nor did they disappear because they failed to do their job for working people. They declined because of government action.

British aristocrats feared the friendlies because they viewed their huge contributor funds as a means for political subversion. At the end of the 18th century, the aristocrats, dreading the political power of the united workers, moved against them. The Combination Acts, the Illegal Societies Act, and the Seditious Meetings Act were aimed at preventing workingmen's groups from forming. The one legal loophole was the Rose Act of 1793, which allowed "societies of good fellowship for security" to exist.[13]

Eventually, a steadily growing web of uniform state-mandated benefits first duplicated, then absorbed the "dangerous" friendlies.

•1793: State supervision of friendly societies' management and rules.

•1818: First bill to set up a standard of "scientific" contribution rates. This made the fees more uniform, weakened competition, and led to the gradual absorption of the smaller friendlies by the larger.

•1870-75: A royal commission studied the friendlies. Parliament created a rival state-run system, focusing on the most predictable "events": burial and retirement benefits.

•1911: National Insurance Act. State benefits were expanded, financed by compulsory contributions from employer and employee. Via subsidies, the friendlies were led to administer the state plan. Claims for benefits had to be filed with both systems.

•1946-48: The Labour government ended the National Insurance Act subsidies and bypassed the friendlies, structuring a complete and exclusive administrative machine of its own. The loss of funding and higher state benefit rates drove many friendlies out of existence.[14]

In the United States, the government was less worried about the friendlies. The first major legislation, in 1893, was promoted by the friendlies themselves. They lobbied in Washington through the National Fraternal Congress. This organization represented 100 friendly societies with 6 million members and $7 billion in insurance funds. It pressed for passage of the "Uniform Bill," forcing all new friendlies to adopt the same mortality rates. This would put them at a competitive disadvantage to the established societies. However, instead of driving off the upstarts, this legislation blurred the distinction between friendlies and commercial life insurance companies. Legally they were grouped together. As a result, the commercial insurance companies gradually absorbed the friendlies, leaving consumers with fewer choices.[15] □

1. Thomas P. O'Neill Jr., "When Government Was a Friend in Need" (*The New York Times*, May 16, 1986), p. A-35.
2. Walter Basye, *History and Operation of Fraternal Insurance* (Rochester: The Fraternal Monitor, 1919), pp. 41-52.
3. Richard DeRaismes Kip, *Fraternal Insurance in the United States* (Philadelphia: College Offset Press, 1953), p. 10.
4. Richard Price, *Observations on Reversionary Payments* (London: T. Caldwell and W. Davis, 1803), pp. 141-42.
5. J. M. Baerneither, *English Associations of Workingmen* (London: Swansonnerchem and Co., 1891), p. 164.
6. *Ibid.*, pp. 171-78.
7. William Henry Beveridge, *Voluntary Action* (New York: Macmillan and Co., 1948), pp. 45-50.
8. *Ibid.*, pp. 53-58.
9. Baerneither, pp. 201-05.
10. Michael Cross, editor, *The Workingman in the 19th Century* (Toronto: Oxford University Press, 1974), p. 75.
11. Beveridge, pp. 96-101.
12. Basye, pp. 122-32 and Beveridge, pp. 34-36.
13. Beveridge, p. 63.
14. *Ibid.*, pp. 63-84.
15. Basye, pp. 113-22.

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National Service: A Solution in Search of a Problem

by Thomas J. DiLorenzo

In some intellectual and public policy circles, economic nationalism has struck a fever pitch in the form of proposals for so-called national service. There are now several plans floating around Congress and the White House for a national youth corps. One plan would provide a $100 weekly salary and a $10,000 yearly tuition credit voucher for people between 18 and 26 who join a "Citizens Corps" for two years or serve in the armed forces at a reduced rate of pay.

The reasons given for why the nation supposedly needs a "youth corps" are that it is important to instill in youth an admiration for collectivism and a distaste for individualism. Of course, national service proponents rarely are so forthright in their use of language. But a brief survey of some of the "national service" literature reveals that this is exactly what they intend.

One Congressional sponsor of a national service bill says the bill is "based on the premise that our young people must move beyond the narcissism of the Reagan years."[1] Such egocentricity, says the Congressman, was socially irresponsible because it "led many to ask what their country could do for them."[2] Thus, it is supposedly undesirable for citizens to think of government as an institution whose main purpose is to serve the public. Rather, it is the other way around: Citizens should be compelled to serve government. Citizens are thought to have special "duties," as defined by government, which they must fulfill through "national service."

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The National Service Coalition

Donald J. Everly, the executive director of an organization called the "Coalition for National Service," believes that "young people have a responsibility to their heritage to contribute a period of service to our land and our people in need."[3] It is unclear, however, what portion of the American heritage he refers to and why individuals have "responsibilities" to it (by whose authority? to serve whose ends?).

One thing that is clear is that Everly is *not* referring to America's Constitutional heritage. The American republic was founded on the belief that individuals have inalienable rights to life, liberty, property, and the pursuit of happiness, not some vague obligation to become indentured servants for the government. This aspect of the American heritage suggests that citizens should strongly resist any national service schemes. True voluntarism is a legitimate part of the American heritage, but that's not what national service is about. National service under the auspices of the federal government is necessarily coercive.

Prominent members of the media also have jumped on the national service bandwagon. One *Washington Post* writer decries the "appeal to self-interest" and the "selfishness" that he claims was spawned by the election of Ronald Reagan. This *Post* writer maintains that what is needed is "a counter-appeal to altruism" in the form of a new

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"social contract." Such a contract would "define not only what our country will do for citizens, but what our citizens will do for our country."[4]

The word "contract," as used here, has a rather unique meaning. Millions of youths who would be subjected to a national service plan would have little or no say in the drafting of the contract, nor would they be asked to sign it. The "contract" presumably would be made out by a small group of national service advocates and their Congressional allies. When the government (or the Washington media establishment) starts talking about social contracts, it does not necessarily mean a contract that takes into account the preferences of the society in question. It means a contract constructed by a small group of social engineers who use the power of the state to impose the contract on the rest of society. And on top of all that, the rest of society, namely the taxpayers, are compelled to pay for the government programs created by the new "contract."

Sociologist Charles Moskos might be considered the intellectual father of national service. He has written a great deal on the topic including his 1988 book, *A Call to Civic Service*.[5] In this book Moskos writes that the philosophical underpinnings of national service are based on the idea that "private interests are subordinated to the public good and in which community life takes precedence over individual pursuits."[6] Such thinking, writes Moskos, "is laying the philosophical foundation for the popularization of national service."[7]

Like nearly every other supporter of national service, Moskos praises the collectivist philosophy and denounces individualism and economic liberty. He calls the latter concept "mean-spirited privatism" that allegedly has "led to a widening gulf between haves and have nots."[8] He does not define what he means by "mean-spirited privatism" other than joining with Washington establishment figures in casting aspersions on Ronald Reagan. Nor does he attempt to demonstrate statistically that a "widening gulf" in the income distribution has occurred in recent years. In short, he does not define any particular problem, but he is absolutely convinced that national service is the "solution."

As far as Moskos's denunciation of "privatism" is concerned, he seems completely unaware that during the economic recovery from 1982 to 1989, more than 20 million new jobs were created in the U.S. economy, and, according to the U.S. Department of Labor, most of them were relatively high paying. The unemployment rate fell from nearly 12 percent to just over 5 percent; inflation declined from 13 percent to one-third that rate; and bracket creep was eliminated by indexing the income tax for inflation. All the economic news wasn't good during that period, but the point is, the supporters of national service talk as though the nation were in the depths of the Great Depression as they bemoan the alleged failures of the private sector. Creating 20 million new jobs is hardly "mean spirited."

Voluntary or Mandatory?

Although national service is touted as "voluntary," some of its supporters' statements raise doubts. For example, Moskos claims that the philosophical foundation of national service "is nowhere better exemplified" than in the work of Michael Walzer, who Moskos labels as "one of the country's leading social thinkers."[9]

Moskos praises Walzer for explaining in a recent book "the merits of obligatory and unpaid, but temporary, labor to do the necessary work of society that is dangerous, grueling, or dirty."[10] This sounds worse than indentured servitude, which at least provides some form of payment in return for labor.

One senatorial proponent of national service would like to have mandatory national service, but doesn't believe it would pass Congress, at least not yet. Another senator has introduced legislation that would provide "a full range of possible penalties to ensure mandatory participation."[11] A "full range" of penalties presumably would include prison terms for those young people opposed to forced labor.

Even if national service weren't mandatory at the outset, it would likely evolve into a mandatory system. Economist David Henderson offers the following entirely plausible scenario: "[N]ational service attracts few kids from higher-income families. Its advocates then argue that the only way to get broad participation across all income classes is to make national service compulsory. With the voluntary service network in place, the next step is compulsory national service."[12]

Fundamentally, a national service program *that is operated by the government* cannot be voluntary.

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Anything financed by tax revenues is not voluntary because taxes are not voluntary. At best, so-called national service is a combination of bribery and extortion. Money is extorted from taxpayers in order to bribe young people to perform work that their governmental overseers think they should be doing.

The phrase "national service" is misleading because it implies that people pursuing their own careers, independent of governmental direction, are not providing a national service. The truth is that every private-sector business provides a service to consumers; otherwise it wouldn't survive, at least not without government subsidies. This elementary economic confusion is nowhere more apparent than in the White House where an Assistant to the President for National Service stated in 1989 that "from now on, any definition of corporate success must include serving others."[13] Of course, no corporation can possibly be successful unless it serves others, namely, its consumers. What the presidential assistant apparently has in mind is somehow compelling corporations, in addition to the nation's youth, to perform additional "national service" work.

What national service proponents are advocating is not *more* service, but a different kind of service. As with all forms of social engineering, they are advocating the reallocation of resources from the private to the public sector. Thus, the taxes extracted from the public will be a disservice to taxpayers, although the beneficiaries of the new government program—service recipients as well as contractors, materials suppliers, and others—will benefit.

The text of one pending bill is quite explicit in announcing that the intention of national service is to *reallocate* the services that are provided in the United States, but not necessarily to provide *more* service. For example, the bill calls for marshaling "our nation's resources to meet national needs."[14] The implicit assumptions in this statement are: 1) Young people should be viewed as a nationalized resource; and 2) since these resources are considered communal property, they must be allocated by a group of government bureaucrats, i.e., the administrators of a national service program.

To describe the lives of young people as "our nation's" resources quite explicitly assumes that these individuals have no inherent or inalienable rights outside of those determined for them by government. They are viewed by national service supporters as a nationalized resource that should be compelled to serve the government's needs rather than their own.

The philosopher Ayn Rand put so-called voluntary national service proposals into perspective more than 20 years ago when she remarked that the "unnamed principle" behind all such proposals is: "Developing yourself into a productive, ambitious, *independent* person, is not regarded as a value to the United States; turning yourself into an abject sacrificial animal is."[15] Rand's point was well taken: It is not socially costless to interrupt a young person's education or initial working experience to force him or her to, say, empty bed pans at a government hospital. It is costly not only in terms of the infringement on that individual's freedom, but also in terms of delaying the entrance of that young person into the working world where he or she will perform some service to society for market wages. According to national service proponents, someone "serves" the public only when engaged in an activity where no one values the output enough to pay for it.

Crowding Out Genuine Services

Proponents of national service are also misguided in their belief that an additional government program will create more of a sense of community. Charles Moskos, for example, says "the need for national service" is especially strong now "because of the relative weakness of other forms of community."[16] What Moskos and others fail to recognize is that massive government intervention in the area of social policy over the past decades has been largely responsible for the weakening of many community efforts. Another social program would only make things worse.

For example, Social Security has weakened the sense of individual responsibility for one's parents and grandparents, not to mention the negative effects on incentives to save for one's own retirement. Food stamps have led to a reduction in private efforts to feed the hungry. Government housing programs have helped create a low-income housing crisis. The centralization and bureaucratization of the public schools has stolen control over education from parents. As Charles Murray has shown in his recent book, *In Pursuit of Happiness*

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and Good Government, social policy over the past several decades has had a massive crowding-out effect on communities.[17] An unfortunate result of this displacement of community efforts is that when the government programs prove ineffective, as they often do, those in need are left without either governmental or community assistance. National service may have its strong points, but instilling a stronger sense of community is not one of them.

Moskos and other national service advocates are correct that more can be done in the area of social policy, but they are misguided in their approach. National service would likely crowd out efforts by genuine, voluntary nonprofit organizations, especially by creating manpower problems for the nonprofit sector. Genuinely voluntary service is a positive good and a valuable asset to the United States. But a government-operated national service program would corrupt the whole idea of service because it is not genuine.

Another point that should be kept in mind is that since the 1930s, government "jobs" programs have been marred by useless "make-work" jobs that are, at best, an excuse to keep the programs running. There is every reason to believe that national service would evolve into just another make-work program.

Knowledge and Political Problems

Proponents of national service claim that there are millions of jobs in the U.S. that are left undone, and that young people should be required to perform them. But as long as resources are scarce and human wants are unlimited, there always will be certain jobs that remain undone, and for a very good reason: They are not done because the benefits of doing the jobs do not outweigh the costs. If they did, some entrepreneur would profit by performing the task. Many social services, such as the day-care industry, could use a strong dose of deregulation to make them more economically viable, but national service does not even address such alternative approaches.

A national service program also would suffer from the knowledge problem. It assumes that government can accurately assess the desires of the public and establish an appropriate plan to meet them. But this is what Nobel Laureate Friedrich Hayek calls "the fatal conceit." It is inherently impossible for a group of governmental planners to possess and utilize such massive, dispersed knowledge. Only a free market, with the help of the price system, can adequately perform such a task. Any attempt by government to imitate the market process is mere guesswork and is inevitably counterproductive.

It is also likely that a national service program would quickly evolve into a massive political patronage system. According to various proposals, there would be a network of "national service councils" staffed by local politicians and political appointees. These people would surely want to use the program to reward their political supporters with jobs and to use the jobs as a means of garnering further political support. Consequently, there would be new possibilities for corruption by local politicians provided with free labor.

Once a "national service" network was established, the beneficiaries would soon form a strong lobby to expand the program's expenditures, as is the history of all such programs. Thus, a national service program is bound to allocate services according to political criteria more than genuine service needs. Members of Congress would compete to funnel patronage jobs to their home districts, and the costs of the entire system would rapidly escalate.

National Service in Other Countries

In the final chapter of *A Call to Civic Service*, Moskos outlines national service programs in Great Britain, Canada, and the Federal Republic of Germany. He uses these examples to make the "they're doing it, so we should be doing it" argument. But examples from other countries also can be used to make a case against national service.

For example, some years ago Germany enacted a "Law for National Labor Service" that required one year of service for every youth between the ages of 18 and 29.[18] Like the current American proposals, the service was part military and part civilian. The plan was initially voluntary, but was made mandatory after two years.

The proponents of the German national service law promised that all work "undertaken by the Labor Service may only be supplementary, i.e., work which would not be undertaken in the ordi-

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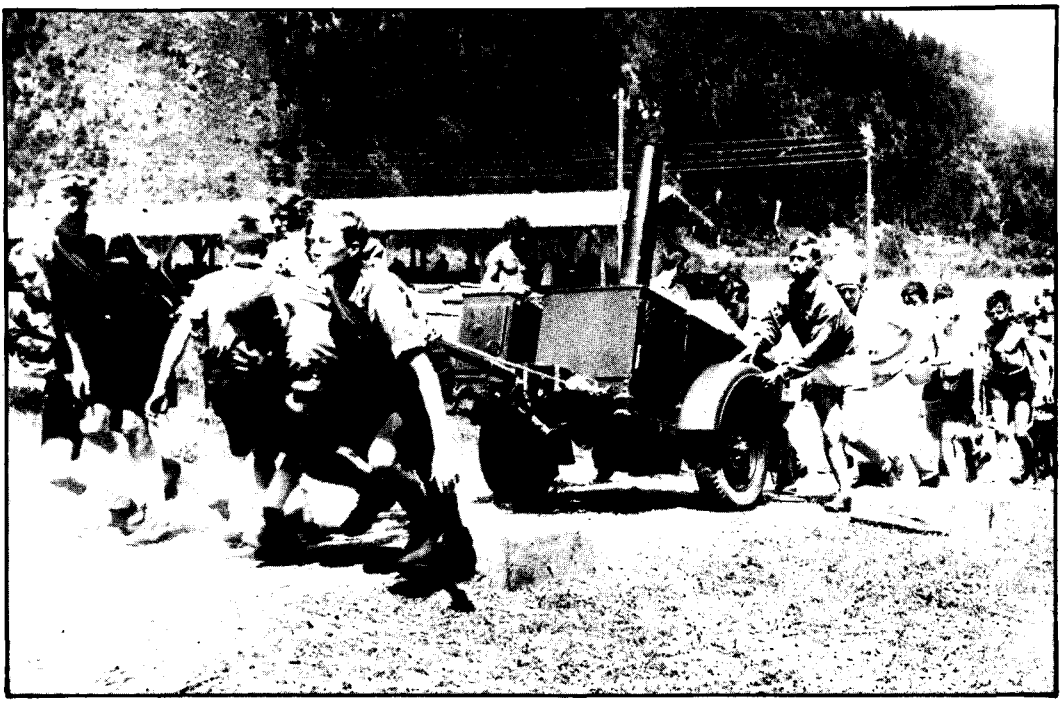

WIDE WORLD PHOTOS

Hitler Youth Camp in Bavaria (1935)

nary way by private enterprise."[19] Similar promises are made by contemporary American supporters of national service.

The German plan also praised collectivism and sharply criticized individualism and the market system. It advocated that young people be made to perform "service rendered to the German nation," and its overall purpose was "to lift men out of economic interest, out of acquisitiveness, to free them from materialism, from egoism. . . ."[20] Moskos does not detail this particular German program because his examples of German national service are from the postwar Federal Republic of Germany, whereas the above statements were all made by supporters of the Hitler Youth during the 1930s. The Hitler Youth were institutionalized by the "Law for National Labor Service," which operated under the premise that "the child is the mother's contribution to the state."[21] This was the ultimate in national socialism: the nationalization of people.

This is not to suggest that the American supporters of national service are fascists or "national socialists," but to underscore what a tremendous threat to individual liberty such a program entails. Current American proposals may not sound too threatening since they are supposedly voluntary. But the Nazi program also was voluntary when it began, and, as mentioned above, there already are many powerful political supporters of mandatory national service in the United States. For these reasons, national service could pose one of the greatest threats to freedom in the coming decade.□

1. Dave McCurdy, "A Quid Pro Quo for Youth," *New York Times*, June 26, 1989, p. 29.
2. *Ibid.*
3. David Broder, "An Idea With Force," *Chattanooga Times*, January 28, 1988, p. A-9.
4. *Ibid.*
5. Charles C. Moskos, *A Call to Civic Service: National Service for Country and Community* (New York: Macmillan, 1988).
6. *Ibid.*, p. 5.
7. *Ibid.*
8. *Ibid.*, p. 8.
9. *Ibid.*, p. 6.
10. *Ibid.*
11. Cited in David Henderson, "Who Needs a Citizens Corps?" *Barron's*, April 24, 1989, p. 9.
12. *Ibid.*
13. Cited in "Freedom and Philanthropy: An Interview With Milton Friedman," *Alternatives in Philanthropy* (Washington, D.C.: Capitol Research Center), March 1989.
14. S.3, "The Citizenship and National Service Act," 1989.
15. Ayn Rand, *Capitalism: The Unknown Ideal* (New York: Signet Books, 1967), p. 231.
16. Moskos, p. 9.
17. Charles Murray, *In Pursuit of Happiness and Good Government* (New York: Simon and Schuster, 1988).
18. Robert A. Brady, *The Spirit and Structure of German Fascism* (New York: Howard Fertig Publishers, 1969), p. 174.
19. *Ibid.*, p. 178.
20. *Ibid.*, p. 180.
21. *Ibid.*, p. 195.

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Saying No to Federal Disaster Relief

by William B. Irvine

Hurricane Hugo and the earthquake in northern California have raised an old, but easily ignored question in political theory: What role, if any, should the federal government play in disaster relief? The current consensus seems to be not just that there is a role for the government to play, but that it is the government's duty, among other things, to help people rebuild homes and to help businessmen recover lost income.

Indeed, politicians have been falling all over themselves in trying to show how willing they are to spend government funds (i.e., taxpayers' dollars) on disaster relief. In the aftermath of the San Francisco earthquake, the federal government allocated $3 billion for disaster relief, even though doing so made a shambles of the Federal budget. More such relief efforts are probably on the way.

I readily admit that the federal government has *some* role to play in disaster relief. It has, for example, a role in helping maintain order if local and state governments are unable to do so. It might also have a role in helping restore the infrastructure—again, if local and state governments are unable to do so. And of course if the federal government can take steps to save the lives of disaster victims, it should do so.

Where I would draw the line in Federal disaster relief is when it comes to compensating individuals and businesses for property and income lost in a disaster, either with grants or low-interest loans. I would like to argue that the government should in almost all instances refuse to make such compensation. In such cases, I think the government's duty is to stand back and rely on private relief efforts.

In defending this position, I would first like to challenge the common notion that a disaster victim is somehow entitled to Federal funds, that his status as a victim gives him a moral claim to the wealth of others. It is entirely appropriate for this person to ask for our sympathy or even to ask for contributions from us, but he is mistaken if he thinks that because he has been victimized, we *owe* him a new house, or lost wages, or anything else. Stated bluntly, the fact that nature has victimized someone by depriving him of his property does not entitle this person to victimize the rest of us by depriving us of our property, either indirectly through taxation or in some more direct fashion.

Private relief efforts have one major advantage over Federal relief efforts: They rely on voluntary contributions, rather than on coerced tax payments. To the extent that someone abhors coercion on the part of government, he should disapprove of Federal disaster relief; and if this person thinks that the victims of disasters should be helped, let him make a charitable (and entirely voluntary) contribution to the disaster-relief organization of his choice.

In discussing the disasters in South Carolina and San Francisco, it is important for us to keep in mind that they were foreseeable: South Carolina has been the target of many hurricanes, and San Francisco is perched atop the San Andreas fault. Notice, also, that the residents of both places could have taken steps to minimize the harm they might experience when these foreseeable disasters took place. A case can therefore be made that many of the victims of Hugo and the San Francisco earthquake knowingly took chances. What else can you say about someone in South Carolina who built his

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home on the beach or about someone in San Francisco who passed up earthquake insurance (as did four in five Californians)?

I have no objection against people taking chances; I object only when they expect me and my fellow taxpayers to bail them out when they lose their bets. And this is what many of those in South Carolina and San Francisco are doing when they petition for Federal disaster relief.

Americans are remarkably inconsistent in their views on whether a person should be compensated after experiencing a disaster. Suppose, for example, that someone in Kansas prefers to spend his money on a VCR rather than on homeowners insurance. Suppose that his house subsequently burns down. (It gets struck, let us assume, by lightning.) Who would argue, in such a case, that government funds should be spent to buy him a new house?

Extending this analogy, we might understand if this Kansan were to appeal to his neighbors for help in rebuilding. Suppose, however, that instead of appealing to his neighbors, he informs them that they owe him a new house. We might admire his boldness, but we would be foolish indeed if we thought that his failure to buy insurance gave him some moral claim to our wealth.

This Kansan's behavior would be particularly audacious if he happened to be wealthier than his neighbors. (San Francisco, of course, is one of the most affluent regions in America; and anyone who can afford to own a home in San Francisco probably isn't in need of a Federal bailout.)

For another example of how inconsistent Americans are on the issue of when disaster victims should be compensated, consider America's investors, who recently experienced a major disaster, the stock market crash of 1987. It is true that this disaster was economic rather than natural, but in terms of money lost, it was a disaster that put Hurricane Hugo and the San Francisco earthquake to shame. (The Crash cost investors $1 trillion; Hugo and the San Francisco earthquake did under $20 billion in damage.)

America's response to the Crash was most instructive. Many Americans laughed at the plight of investors and said that they "had it coming." Others had a less vindictive attitude and said that America's shareholders knowingly took chances and lost—too bad. It is my contention that this second attitude is entirely appropriate; my question is why we do not hold a similar attitude toward those who suffered property or income losses in California and South Carolina. (Perhaps our difference in attitude stems from the fact that a shareholder clutching a worthless stock certificate isn't nearly as photogenic as a hurricane victim standing in front of his smashed seaside home.)

At this point, some might argue that Federal funds are *essential* to the relief efforts in South Carolina and California—that the only way these states will be able to recover is if the federal government assists them. Those taking this line might argue that private relief efforts, while desirable from a theoretical point of view, would not be sufficient to deal with major disasters like those experienced by South Carolina and California.

In reply to this argument, I can only point out that in 1906 San Francisco suffered from an earthquake far more devastating than the recent one, but recovered quickly even though Federal assistance was minimal. Despite what many politicians would have us believe, people can help themselves; and when people can help themselves, there is every reason for allowing them to do so.

Let me offer one last reason why the government shouldn't compensate disaster victims for their losses. Notice that when the government adopts (either explicitly or implicitly) a policy of making such compensation, it inadvertently sets the stage for even greater disasters in the future, disasters that may extract a terrible toll not just in lost property, but in lost lives.

If, after all, the government adopts a policy of bailing out those who lose the bet they place when they pass up earthquake insurance or build their home on a beach, the government unintentionally encourages people to engage in this sort of behavior. ("Why pay for disaster insurance when you can get it 'for free' from the government?") More generally, the government encourages people not to worry about tomorrow's foreseeable disasters. ("Why worry? The government will take care of us.") And by encouraging this carefree attitude, the government increases the chance that future earthquakes and hurricanes will do even more harm than they now do.

In other words, disaster relief today can result in additional disasters tomorrow; and those who genuinely care about the well-being of their fellow citizens should be willing to allow some suffering today to prevent a far greater amount of suffering tomorrow. □

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Art, Censorship, and Markets

by Steven Yates

The art world has been in turmoil since Senator Jesse Helms charged the National Endowment for the Arts with using $45,000 of government money to subsidize "obscene art." Helms' main targets were the photographs of the late Robert Mapplethorpe which depicted homosexual and sadomasochistic themes and that of Andres Serrano depicting a crucifix submerged in the artist's urine. Many in the arts community reacted sharply to Helms' actions and made the expected charges of censorship. The old issue of what "obscenity" is and who decides has resurfaced with a vengeance, and the ensuing debate has had all the usual characteristics of groups who talk past one another because of shared premises neither has examined.

First of all, let us distinguish between *aesthetic* considerations and *economic* ones. Whether certain works of art are "obscene" belongs to the former; the issue of whether they should be subsidized by the government belongs to the latter. I wish to deal only with economic considerations here.

Now if the basis of the art world's censorship charge is the Helms bill itself, which refuses government money to artists and exhibits deemed "obscene," then it seems the charge must fail, for it rests on a crucial unexamined premise: that the government has an obligation to subsidize the arts. If this premise is false, then refusal by Congress to fund certain exhibits is not censorship. Censorship would occur only if the exhibits were forcibly closed down—and that has nowhere happened. Comparisons some in the art community have made between this incident and the Salman Rushdie affair are grossly exaggerated. But these remarks notwithstanding, the censorship charge refuses to go away. A publicly funded Washington, D.C., museum canceled a scheduled showing of the Mapplethorpe exhibit and this suggests that it might yet have some basis. Let us find out.

The same people who find the Mapplethorpe and Serrano exhibits offensive—and Helms certainly seems among them—rarely find anything offensive in the idea that government may go on subsidizing art which no one has deemed "obscene." In short, both Helms and his critics in the art world share the view that Federal dollars should be expropriated from citizens to support the arts—they just disagree on what should be subsidized.

It is here that a more subtle form of censorship enters the picture, for the kinds of art and artists enjoying continued support inevitably would be those with "official" political approval. If Federal dollars support certain artists and exhibits, then these artists and exhibits will gain an advantage they would not have had in an open market, the same way that government-subsidized automobile manufacturers will gain advantages they would not have had otherwise. The advantages, it is clear in these latter cases, are unmerited, for if one's company is propped up by the government at taxpayer expense, one can go on producing an inferior, unneeded, or irrelevant product and delay having to answer to market forces indefinitely. Does this situation have a parallel in the art world?

Now I will not deny that many people find the Mapplethorpe and Serrano exhibits offensive. But

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notice that once we challenge both the art world's and Helms' hidden premise that at least some art deserves government support, this aesthetic issue is entirely beside the point; for in a free society neither individuals nor institutions have the right to impose artistic tastes on others, and no one is forced to subsidize any kind of art against his will. Instead, free individuals patronize those art forms they find interesting, pleasing, or provocative, and steer clear of those they find offensive, uncalled for, or simply boring.

The only satisfactory solution to the problem of censorship in the arts, therefore, is for the government to get out of the art business altogether, and allow people acting under free market conditions to support the kinds of art they want. Thus individuals wishing to support "non-offensive" art may do so; likewise for supporters of the Mapplethorpe and Serrano kind of exhibit. Artists of the latter persuasion will have no grounds for claiming censorship; for without government interference, a censorship situation cannot arise.

Of course, there may be legitimate grounds for questioning the nihilistic impulses that seem to motivate much modern art. Art, at its most socially significant, mirrors a culture's world view. It may be that extremely avant-garde forms of art have a significance that easy charges of "obscenity" only obscure. Perhaps, too, they have a grassroots support that conservatives fear. These are all side issues; but notice that proper exploration of them can begin only when we allow market forces to decide just what kind of art really has public support, and from whom. □

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Beyond Eminent Domain

by Lee Ownby

"I want your land!" If your neighbor made this statement and you did not want to sell, that would be the end of it, unless he fielded an army against you and took it by force. But, if he persuaded City Hall to take it for him, there is little that could be done to stop him.

Whittle Communications, an innovative publishing and marketing firm located in Knoxville, Tennessee, has enjoyed a rather spectacular rise to the forefront of the business community. Under the dynamic leadership of its founder, Chris Whittle, it has targeted certain specialty markets, and has successfully developed a variety of media to deliver its advertising to them. In 1987, Dr. William Fox, Associate Director of the University of Tennessee's Center for Business and Economic Research, released a study which indicated that Whittle Communications has experienced a 25 percent annual growth rate and projected that Whittle would contribute $125 million to Knoxville's income by 1997.

In light of its growth, in 1986 Whittle Communications announced its desire to obtain a downtown site on which to construct the company's headquarters. The company's employees were scattered among several downtown buildings, and its leadership not unreasonably wanted to create in one location an atmosphere conducive to the successful implementation of its enterprise. Whittle's special requirements precluded the use of unoccupied space in nearby high-rise buildings.

Its specifications for the development of a low-level, campus-style structure called for a site that was generally unavailable in downtown Knoxville.

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Most urban communities have development agencies empowered by their state's legislature to draw up redevelopment plans. Such legislation enables a city to purchase or condemn property located within a designated area. Spurred by the Whittle announcement, Knoxville's Community Development Corporation drafted a plan that included some of downtown Knoxville's most desirable real estate.

The land included within a redevelopment plan must be linked, at least tangentially, to a blighted condition. While this plan included property with brand-new law offices, the flagship store of Gateway Books, a new restaurant, assorted parking lots, and other viable businesses, the definition of blight was expanded to encompass "inappropriate economic use." Because some of the property was underutilized, the entire tract could be included within the redevelopment plan. To be sure, this concept has been supported in court decisions, and local lawmaking bodies have been given liberal parameters in which to operate. An astute businessman could implement a plan utilizing the property to its fullest economic potential; he may have been standing before Knoxville's city council in the person of Chris Whittle.

Property owners generally discovered their participation in the Whittle project when it was first announced in the Knoxville papers. They essentially had two choices: sell or suffer condemnation. Either choice deprived them of the ownership of their property. While several property owners strenuously protested the projected taking, all sold to Knoxville's Community Development Corporation, and avoided lengthy and expensive condemnation proceedings.

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Myron Ely, a local real estate attorney and former property owner, said that the redevelopment created a land-banking effect. "No one wants to buy property facing condemnation," said Ely. "It places a big, black cloud over the property."

Karen Sproles, owner of a popular restaurant said, "If developers and the city can do this much without telling anyone, how much more can they do? I think it was very rude the way they did it." "As it was," she said, "I feel like I had no choice."

Knoxville's downtown district, like those of many cities, has suffered from a growing flight of important businesses to the suburbs. Remaining businesses and civic groups favored any legitimate activity that would encourage people to remain downtown and spend money. Thus, despite the objections of the affected property owners, the Whittle project generated support among the business community and the general public. In fact, a poll conducted for the Knoxville *Journal* found registered voters favoring the use of public financing to assist Whittle by a better than 2-to-1 margin. Richard Cate, senior vice president for urban and government affairs for the Knoxville Chamber of Commerce, summed up much of the sentiment: "I don't think I need to remind you that we do not have companies or individuals standing in line to make this kind of investment in our community—let alone in our center city. The use of this limited amount of tax-increment financing is the key to making the Whittle project work."

Chris Whittle and his company unquestionably have made significant contributions to the Knoxville community. In April 1989, the Knoxville papers reported that he and his company were making a $5.2 million gift to the University of Tennessee—the largest in the school's history. He had previously announced gifts to UT's College of Communications to fund scholarships for minority students, and also gifts to various downtown organizations. Whittle Communications, like any viable business, employs local people who spend their earnings in the community; that employment is an important contribution in and of itself.

So, what is the problem? Whittle is providing jobs, enriching the economy, and making sizable donations to the community. In the old westerns, he is the man wearing a white hat and riding the white horse.

The Fifth Amendment to the U.S. Constitution states ". . . nor shall private property be taken for public use, without just compensation." Embodied within that amendment is a principle that holds sacrosanct an individual's ownership of private property. Thus, actions by the state and those assisted by the state which tend to undermine private ownership must be viewed with suspicion.

Legal Plunder

The perception that it is okay for you to take your neighbor's property so long as the community receives an economic benefit is reinforced each time a city assists in the acquisition of private property for private gain. Frederic Bastiat has written in *The Law*: "The nature of law is to maintain justice. This is so much the case that, in the minds of the people, law and justice are one and the same thing. There is in all of us a strong disposition to believe that anything lawful is also legitimate. This belief is so widespread that many persons have erroneously held that things are 'just' because law makes them so. Thus, in order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it."

If the law legitimates such takings, then most of us will feel better about ourselves if we favor such a project, and even more so if we derive an economic or aesthetic benefit from its success. Knoxville Councilman Milton Roberts Sr. expressed a lot of unspoken sentiment when he was quoted as saying, "I want to vote for it, but I want to have a clear conscience."

Whittle is not the first company to use local government to help it take other people's property. In the early 1980s, General Motors persuaded the City of Detroit to condemn a large residential neighborhood nicknamed "Poletown" for the construction of an assembly plant, rather than lose it to relocation. Detroit was faced with the loss of a significant number of jobs and other economic benefits. GM presented the carrot and the stick; Detroit acted with a speed uncharacteristic of a government body, liquidating the property rights of hundreds of people under the power of eminent domain within six months. It has been estimated that the cost of acquiring, relocating, and providing utility service to the site exceeded $200 million, but the site was sold to GM for a little over $8 million. The merits of paying this kind of tribute to a large private concern in exchange for an expected preservation of the economic health of the region

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can be debated for years, but there can be no doubt that the impetus for the taking was founded in the private sector.

A little-noticed side effect of this use of eminent domain is the public's association of business with the state's power to take. Justice James L. Ryan, the dissenting judge on Michigan's Supreme Court, which approved the condemnation, wrote: ". . . the Court has altered the law of eminent domain in this state in a most significant way and, in my view, seriously jeopardized the security of all private property ownership. This case will stand, above all else, despite the sound intentions of the majority, for judicial approval of municipal condemnation of private property for private use. This is more than an example of a hard case making bad law—it is, in the last analysis, good faith but unwarranted judicial imprimatur upon government action taken under the policy of the end justifying the means."

Many citizens understand the necessity of the state's power to condemn land for roads and public buildings; but when private developers initiate public condemnation of private land for private purposes that is sustained by the judicial system, their understanding of any important distinction is clouded. Heretofore, the sanctity of private property has been self-evident among the general populace, and the recognition of its inviolability was an impediment to encroachments of state power.

Cases like Whittle and GM expand the state's concept of public purpose and tend to anesthetize the public, even if only incrementally, into a greater acceptance of future takings. Without the proper barriers to such takings that is offered by a narrower interpretation of the Fifth Amendment, what is to prevent some future court from making a determination that a privately owned rare painting is now the property of the general public? The quality of uniqueness, an element common to real property, has been devalued, and businesses which form partnerships with the state must share some of the responsibility for this depreciation. *The Knoxville News-Sentinel*, in a December 1987 editorial, wrote: "Little can be said against the potential positive effects Whittle's plan could have on downtown redevelopment. It is a plan that could reshape the image of the center city and attract commercial and residential spinoffs of equal quality. . . . Blocking the potential good it could do for the center city, has been painted as akin to opposing motherhood and apple pie."

Since construction on the Whittle headquarters began in May 1989, Time, Inc., has acquired a significant interest in Whittle Communications with an option to purchase more at a future date. The impact of this event may or may not lessen the opportunity for fulfillment of Whittle's economic potential and the realization of the community's expectations.

Whittle's present contributions cannot be denied; it is only when the line between public and private use has become so blurred as to offer no resistance to the exercise of state power that we may realize the inadequacy of our protest and the enormity of our sacrifice. If your neighbor, in hand with your mayor, comes to your home to take your Rembrandt for the new city art museum, be thankful that they wanted only your painting, and not your house for the museum. □

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Playing Hard Ball

by Evelyn Pyburn

Many people lament the amount of money sports figures make, but seldom does one see a close analysis of the business to determine why such staggering sums are available.

It's been pointed out that athletes make that much money because the market is willing to pay, and therefore there is nothing wrong with it. While there's certainly nothing wrong with being rich, not all of the support for professional sports is "willing."

Undoubtedly, being a professional athlete would always be lucrative, just by the nature of the business, but professional sports as a whole benefits mightily by government subsidies—some hidden and some not so hidden—paid for by "unwilling" taxpayers.

No matter the sport, major teams are touted by municipal governments across the country. They are touted with the promise of all kinds of perks, most often the provision of an arena. In some cases the teams are paid outright in cash to locate in a community. All paid for by taxpayers.

And while baseball or hockey leagues do, in large part, finance their own training of prospective new players through the establishment of farm teams, football leagues have taxpayers at every level of the education system beguiled into wholly financing their training programs—of both prospective players and prospective coaches.

Wouldn't almost all business ventures do a whole lot better if most of their capital investments and training costs were given to them as a gift? Even employees of a service station, a shoe manufacturer, or perhaps a packing plant might find substantial raises in their pay, too, if the business owners were freed from such obligations.

Justification of this practice is most often in the guise of economic development. But like all such claims for economic development, if it is indeed a viable commercial concern the money will be invested by the private sector—and in the case of most sports it probably would be.

Promoters of any professional sports team would seek capital from community businesspeople, television networks, or prospective advertisers—those most likely to benefit from the spin-off business. The investors would be taking a high risk, but since they are the ones who benefit most directly from the potential profits, who better to take the risk?

Of course, as far as they are concerned, it's a whole lot better if the taxpayers take the risk (and little or none of the profits). While it's understandable why the businesspeople would not likely pursue the risk if they can get taxpayers to do it, it's baffling why the taxpayers so meekly accept the situation. It is ludicrous, when one considers the big bucks involved. It falls under the fast-growing category of welfare programs for the rich.

What happens in actual practice is government takes money from people who would otherwise be spending it on education, clothing, medical care, housing, boats, vacations, or investments in their own business ventures, and redistributes it to others whose desires are somehow considered more worthy than those who earned the money in the first place.

A more astute observer of the market has pointed out that municipalities should charge the professional sports teams for the privilege of including the name of a city in their team name, because of the almost automatic ticket sales it generates from residents wanting to support the "home" team.

How the logistics of that would work, I don't know, but it certainly makes more sense than soaking taxpayers for the privilege of making professional athletes and team owners rich. □

Evelyn Pyburn is editor of the Big Sky Business Journal *in Billings, Montana, where this article first appeared.*

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Academic Freedom at a Public University

by John R. Lott, Jr.

A great deal of attention is paid to academic freedom. Among the benefits of such freedom, it is claimed, is that the free dissemination of information will allow better informed decisions to be made. The following story points out that public funding of academia creates certain subtle and not-so-subtle biases that are inconsistent with academic freedom. Given the continuing expansion of public involvement in academia, it seems important that these biases be openly acknowledged and discussed. While the following is a personal account of what happened to me several years ago when I was affiliated with Montana State University in Bozeman, Montana, it illustrates what I think are not unusual events at public universities.

Constitutional Initiative 27, which would have abolished property taxes in Montana, obtained ballot status in June 1986. Immediately it brought forth horror stories that it would lead to the virtual elimination of state and local government in Montana. The State Superintendent of Public Schools said that all elementary schools in the state would have to be shut down if the initiative passed. The typical numbers released assumed that public schools would bear the entire burden of the revenue reduction. The Governor and other state officials made similar claims, and it looked to me, and everyone else that I knew, that the initiative was dead before it even got a fair hearing.

Not surprisingly, the facts were quite different from what public officials were claiming. In 1984, Montana received 19.5 percent of total revenue for state and local governments from the property tax. In Montana, total state and local government revenue equaled 29.46 percent of personal income as compared with a national average of 20.5 percent. Had the property tax been eliminated in 1984, state and local government treasuries still would have had $2 billion to spend—23.7 percent of personal income in the state. Thirty-five other states did quite well spending less than 23.7 percent of personal income. In fact, this 23.7 percent figure overestimated the cut because income tax revenues would increase when people and corporations lost their property tax deductions.

The Governor's office released reams of numbers claiming such ridiculous things as Montana being the lowest or second lowest taxed state in the nation. They would get such numbers by assuming that Montana's farmers and businesses could "export" 100 percent of their taxes to other states by raising prices to others, but that businesses in other states bore the entire burden of the taxes that they faced. In other words, they subtracted such taxes as business taxes, taxes borne by farmers, some property taxes, and other revenue sources from the total for Montana but not from the totals for other states. Needless to say, that greatly reduced the relative total for Montana. The other big claim the Governor's office made was that property taxes amounted to almost 60 percent of all government revenue in Montana. What they really meant was "general tax revenue," which doesn't even include all tax revenue let alone sources like income from fees and federal government transfers.

I could go on, but I think that this makes the general point—government officials were being dishonest, and no one was challenging their num-

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bers. Initially, I planned only to write an op-ed piece that appeared on July 13, 1986, in the *Great Falls Tribune* and *The Montana Standard* (Butte). Until then I had no contact with the four sisters who were primarily responsible for putting the initiative on the ballot. After Naomi Powell, one of the four, got in touch with me, I agreed to stop off in Helena and talk to Frank Adams, a former newspaperman who was writing the ballot statement for the initiative, and then to meet with the sisters and some of their supporters in the small Montana town of Corvallis.

I met them, as I recall, on July 26. I quickly became aware why the initiative was having so many problems. The press had been relentlessly attacking the sisters as "John Birchers" and members of secretive groups, and further accused the sisters of refusing to answer the press's questions. What was happening was that when a member of the press would contact them with questions, the sisters would reply that they would investigate and send out a press release on the subject. Needless to say, the press wanted answers on the spot.

The sisters ranged in age from late 50s to late 60s and had retired with their husbands to the Bitterroot Valley. Living on fixed incomes, they had found themselves in a squeeze as the cost of living, especially their property taxes, had risen. These sisters were hardly wealthy—the furniture in Naomi's well-kept house was quite old and worn, and their windows had cracks that were mended with tape. The sisters had spent a great deal of their life savings trying to get the initiative on the ballot, and had gone around the state sleeping in sleeping bags while they collected the signatures for the initiative. The initiative, while not perfect, was pretty good and, at least to me, represented Americans seeing a problem and doing their best to solve it. However, getting the more than 50,000 signatures was one thing, defending the initiative in public was another.

By philosophy I am a limited-government type, but I think that it was the unfairness of the campaign that really got me to help out. The fact that Naomi had my op-ed piece taped to her refrigerator door, and told me that she would read it every time people attacked them and things weren't going well, probably didn't hurt either.

Initially, I said that they could refer "number-type questions" from the press to me. I quickly found that all inquiries from the press were being routed in my direction, and that I had become the unofficial (and then official) spokesperson for the initiative. I viewed my primary role as just getting the correct numbers out to the press, although I did end up talking to quite a few legislators and other individuals about the benefits of lowering taxes. One week in early August, I was on the state-wide Montana Television News Network on four different evenings.

Opponents Take Aim

Newspaper editorials began attacking my involvement from the first appearance of the op-ed piece. By late August, it came to my attention that the Commissioner of Political Practices had almost filed felony charges against me because of a law forbidding state employees from engaging in political campaigns. I had no idea that such a law even existed. Fortunately, I wasn't on state salary at the time because I was planning to be on leave at the Hoover Institution in Stanford, California, for the coming academic year. When the commissioner's office was informed of this fact, the proposed charges were dropped. (Of course, no one thought of filing charges against all the other currently employed academics and other state employees working *against* the initiative.) During August I also began to hear of complaints from the Montana State University administration concerning my involvement with the ballot initiative. On several occasions I was told by the chairman of the Agricultural Economics and Economics Department that the dean had made it clear to him that he didn't want me to speak out on its impact.

Before I left for Hoover I was heavily involved in getting several prominent Montana political figures to endorse the initiative. Frank Adams (since the middle of August an official spokesperson for the initiative) and I had also put out quite a few press releases on its impact.

Even though I left Montana in late August, I agreed to continue to speak with the press and to return to the state in September and October to participate in debates. I first returned to Montana on September 19 to participate in a state-wide television debate on September 22. When I returned home the Agricultural Economics and Economics Department was in a state of panic. Several members of the department screamed at me that I was destroying the department because the university

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was going to punish them for my involvement in the initiative. I learned from the department chairman that he had been getting telephone calls from the president of the university and the dean of the School of Agriculture threatening to hurt the department if they did not get me to "shut up." Apparently, they had told the chairman that the department had been very well treated financially in the past, and that since the department didn't seem to appreciate it, the university should look into moving some of the department's money to other departments that would appreciate it.

I ended up spending a couple of hours in the chairman's office on the 22nd listening to him describe the threats that my actions were posing to the department. I was told many times that while what I was saying was correct, it was best not to say anything on what was such a sensitive topic as the tax cutting initiative. While my name continued to appear in newspapers through the press releases the campaign issued, I decided very reluctantly to give in and not participate in the televised debate that night. We were able to get a local businessman to fill in for me. Incidentally, his opponent was a political science professor from the University of Montana.

During the next couple of weeks, I was deeply involved in talking to the press, as the Governor's administration was really going after the initiative. The Department of Revenue Director and part of his staff were working full-time attacking it. They appeared on television and gave frequent newspaper interviews.

I returned to Montana on October 9 to participate in a debate in Billings with a couple of state senators. When I arrived in Bozeman the next morning, I was confronted by an almost-panicked department chairman who recounted a telephone call he had received from the dean that morning. He wanted to know if I really had said that public school teachers are "overpaid." When I told him that I had, he told me how incredibly upset the dean was and that he was not sure what the consequences were going to be.

Given the extreme pressure placed on the department, I had not allowed myself to schedule any additional appearances in the state despite the offers of many groups to pay my way. (I wouldn't have minded a couple of expense-paid trips home to visit my wife in Bozeman.)

Constitutional Initiative 27, which would have abolished property taxes in Montana, was defeated on November 4, receiving 46 percent of the vote. However, Initiative 105, designed to freeze property taxes at 1986 levels, passed by a comfortable margin.

Unfortunately, things didn't quiet down after the campaign ended. When the department evaluations took place after the beginning of 1987, I was in for a few more surprises. I received the lowest ranking in the department in the category of "outreach," which deals with communicating with the general nonacademic community. I usually have very little desire to do well in such a ranking, since I am normally much more concerned about getting academic articles published. On a 0-4 scale, with 0 being the lowest, I received the only zero. Given that many people had told me that I had become the best known economist in the state, I was a little surprised. However, since I value doing research and teaching much more highly than "outreach," I normally wouldn't have cared except that the ranking obviously was made to punish me for my ballot-initiative activity. I was told that my involvement in Constitutional Initiative 27 would not count because it was political, which was fine with me, but I still had written several other op-ed pieces that had appeared around the country, and *Forbes* and *Regulation* magazines ran articles which had mentioned my research. This low rating was made in part so as to reduce my overall evaluation enough to keep me from getting a raise. As it turned out, this was unnecessary since no raises were given that year.

Interestingly, faculty involvement in political activity is hardly uncommon on campus. In the spring of 1987, when the state legislature was debating university funding, professors canceled their classes so that students could take a bus trip to the state capital and demonstrate for more funds. The administration "unofficially" encouraged this activity. In another instance, a member of the Physics Department, who for six years served as possibly the most free-market member of the state legislature, had his university salary frozen during the entire period despite the fact that his state office required only 90 days work once every two years. Needless to say, how the university treated you depended on which side of the issues you were on.

The final straw fell when I visited the Agricultural Economics and Economics Department in

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April 1987 and was told that the method by which the entire department was being ranked relative to other departments had been changed. This ranking is important since it helps to determine how the university's money will be divided among the departments on campus. In the past the Department of Agricultural Economics and Economics consistently had been ranked as the top department in the School of Agriculture. The dean reportedly told the chairman that they would go back to the old method if the department members, especially me, behaved themselves in the future (this was repeated to both my wife and me by the chairman). The administration was particularly concerned over reports that there was going to be a new initiative on the ballot in 1988. The chairman asked me to promise not to make any more statements to the press even if they contacted me. I informed him that I would not make such a promise, in part because if I felt someone were being dishonest I would feel duty bound to point that out, if asked.

I suppose it is not too surprising, but one thing I learned firsthand is how strongly people who receive their income from taxes will fight to protect that income. While administrators at Montana State University will constantly give their opinions on the importance of academic freedom, they will not let something as trivial as academic freedom stand in the way of their doing what they perceive necessary to protect their jobs. This really convinced me about the inconsistency between publicly provided education and academic freedom. Even when people do not act as overtly as they did at Montana State University at silencing dissent, the fact that professors and administrators receive their income from taxes cannot help but color their opinions. □

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A REVIEWER'S
NOTEBOOK

Grede of Milwaukee

by John Chamberlain

Craig Miner's book, *Grede of Milwaukee* (Wichita, Kansas: Watermark Press, 253 pages, $22.50), has to open with an explanation that "Grede" is not pronounced as it is spelled. It is "Grady" to the ear. This is only the beginning of puzzlement when one is dealing with a complex character who spent all his life trying to simplify things about taxation, charity, the right to join or not to join trade unions, and the centralization of power in the state.

Bill Grede didn't find himself very hard to understand. He thought he could work with other activists and still keep to his own opinions. He didn't want to appear as an "extremist," and he tried to tone down some of his compatriots in the National Association of Manufacturers (NAM). He thought Dean Clarence Manion went too far in proposing to eliminate the Federal income tax. He couldn't accept Bob LeFevre's libertarian refusal to vote. But Manion and LeFevre were activists who could stir things up. So Grede supported them in hopes that "there may be some beneficial background effect from this kind of over-simplification of an issue."

Grede was one of the original members of the John Birch Society, whose general aim was to oppose the spread of Communism. There was nothing wrong in that, but Grede and other early "Birchers" were not prepared to ride the storm created by Robert Welch, the Birch founder who, in a pamphlet called *The Politician*, suggested that Eisenhower might be a dupe of the Communists. This wasn't quite calling Ike a party member, but the NAM education committee on which Welch and Grede both served found itself split. There were those who wanted Grede to resign from the Birchers. He couldn't do that—after all, Welch was his friend. Privately he disagreed with Welch's manners, even as he considered that Joe McCarthy had gone too far when he failed to match names and numbers.

Grede, who could always be counted on to make a good anti-compulsory union speech, was asked in 1960 to become president of the J. I. Case Company, which owed $178 million to 92 banks. He accepted. When a reporter asked him why he took the job, he said, "That's a good question. When you find the answer let me know." When a strike came, Grede, always "personal and personable," focused "on philosophy and [was] unyielding on principle." The company could not "in honesty to itself and in duty to Case employees" abandon its historic American principles by allowing compulsory union membership. "You are the Case Company," he told the employees, "and we don't wage a life and death struggle against ourselves." Unions could not provide jobs—only making and selling tractors created jobs.

When tax rates in 1955 went to 55 percent at an income level of $16,000, Grede told audiences that the progressive rates (rising to 91 percent on some personal incomes) "serve primarily to harass, block and penalize those whose work and investments mean the most for the nation's future—the economic builders and job makers, not necessarily the wealthy."

Grede was in the foundry business, which meant that he had a special interest in pig-iron prices.

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During the OPA period in World War II, Grede had his run-ins with John Kenneth Galbraith. He tried to tell Galbraith that OPA was making prices higher—it had gotten to the point where holding down the price of pig iron had made scrap iron more expensive. Instead of recycling scrap the Grede Foundries used all the pig iron they could, which increased the shortage. The pressure was on for an increase in the price of pig iron. Asked what he would do if the price increased, Grede said, "Don't feel sorry for me; because you raise the price of pig iron $5 a ton and I'll get $15 from my customers."

This was where intervention got you. When *Forbes* magazine accused NAM of "bumptious bungling" in its criticism of Charles E. Wilson for his support of price controls, Grede charged *Forbes* with ignorance of NAM's operations. *Forbes* got so much adverse mail on the subject that it voluntarily took a "second look."

Says Craig Miner, "The NAM activity was a logical extension of what Grede for Christian reasons had been doing in his company all along. So was his YMCA connection. . . . Like most businessmen, Grede had in his early career been relatively quiet about his religious convictions. But in 1948 Grede told a YMCA meeting in Wisconsin that 'the teachings of Christ are not a way of life, but life itself. It is the religion that we weave into our workaday world that is important.'"

The common thread between the NAM and the YMCA was that they were both interested in the individual—"one as a person making economic choices and the other as a child of God."

There was, says Miner, a constancy in Grede's lifelong interest in and criticism of education. He agreed with Leonard Read that the philosophy of freedom could not be taught in a speech or two. Classroom depth was required. But nothing could save the Birch Society from the sundering caused by the Vietnam War.

Grede never had to speak in the abstract. He could kid himself with manifest pleasure. He enjoyed a column written about him on his 80th birthday that said the first 80 years were the hardest. After that you could relax. "If you forget your name or anybody's name . . . or spell words wrong, you need only explain that you are eighty. . . . Nobody expects much of you."

That was Grede's chosen exit at 80. He lived for 10 more years, however, and died in a mood of self-criticism that was as keen as anything he had been talking about for decades. One of his final lines was, "I got to keep on fighting." That is just what he did. □

(Readers may order *Grede of Milwaukee* through their local, independent bookstores.)

THE GRAND FAILURE: THE BIRTH AND DEATH OF COMMUNISM IN THE TWENTIETH CENTURY

by Zbigniew Brzezinski

Charles Scribner's Sons, 866 Third Avenue, New York, NY 10022
1989 • 278 pages • $19.95 cloth

Reviewed by Peter J. Boettke

This is a grand book—not exactly scholarly, but neither merely polemical. Rather, Brzezinski has written an informed essay on the grandest issue of our day: the debacle of the communist system of political economy. And he has written in a way that is accessible to all.

The 20th century has clearly been the age of socialism. Though, as Brzezinski points out, the century began without the slightest hint that communism would become a dominant political ideology, "Yet, as it turned out, much of the twentieth century came to be dominated not only by ideological passions but, more specifically, by a passion masquerading as scientific reason, namely communism."

Many people forget that the titanic struggle between Stalin and Hitler in World War II "was a fratricidal war between two strands of a common faith. . . . Philosophically, Lenin and Hitler were both advocates of ideologies that called for social engineering on a vast scale, that arrogated to themselves the role of arbiters of truth, and that subordinated society to an ideological morality, one based on class warfare and the other on racial supremacy, and that justified any action that advanced their chosen historical missions." Clarifying the intellectual connection between Lenin (and Stalin) and Hitler is itself worth the price of the book, but Brzezinski provides much more.

He points out the influence of Stalinism on Western intellectuals throughout the middle of this century: "Yet in the West the notion persisted even into the 1950s and 1960s that Stalinism was historically an ambivalent development, with much good offsetting the bad. . . . More revealing of the attraction to the twentieth-century mind

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of Stalin's experiment in social engineering was the fact that much of Western scholarship was influenced by the view—propagated, for example, by the widely read and much cited historian Isaac Deutscher—that Stalinism had been a form of historical necessity, induced by the imperatives of rapid, politically imposed industrialization of a highly primitive society."

The publication of Solzhenitsyn's *Gulag Archipelago* put an end to the myth of a "positive" Stalinism. But, as Brzezinski points out, "the roots of the catastrophic legacy of Stalin go back to Lenin." The problem plaguing the Soviet Union is not a problem within the system, but rather of the system. The Marxist-Leninist system leads to totalitarian politics and an unworkable economy.

The difficulty Gorbachev faces is reforming this system. Brzezinski demonstrates the paradox involved in the current reform process. "The consensus on the need for reform," Brzezinski writes, "thus represented a compromise regarding the present, obscuring an important disagreement regarding much of the past." "That compromise," he continues, "had a double effect. On the one hand, it permitted criticisms of the Stalinist era to surface and be propagated. The Soviet experience and the Soviet model were thereby even further discredited in the world at large. On the other hand, by perpetuating the fundamentally totalitarian character of the system through the retention not only of the Leninist-type totalitarian party, with its claim of unique insight into the laws of history, but also of the principal institutions of the Stalinist-type behemoth state, with its crushing subordination of society, the scope of potential reforms was severely circumscribed." Thus, Brzezinski concludes, "The Soviet Union thereby paid a double price. It continued to lose its ideological appeal, but it did not gain domestically the wide-ranging freedom to recoup through a genuinely systemic reform."

Consider, for example, the problems with the ethnic nationalities, such as the nationalist passions of the Armenians and Azerbaijanis. The problems, whether good or bad, surfaced because of Gorbachev's policies. "It was impossible," Brzezinski points out, "to preach and even modestly to practice *glasnost* and *demokratizatsiia* without open expression of national grievances. The legacy of the Stalinist past was too bitter, and the recollections of Great Russian abuse too fresh for the intellectuals and students among the non-Russians not to exploit the opportunities that *glasnost* now provided." Thus, Gorbachev has to do a tightrope act just to stay in power as the turbulence with the nationalities fuels the conservative fires within the politburo.

Gorbachev's political maneuvering, however, is not the crucial issue involved, no matter how important. "The real issue for the future," Brzezinski writes, "is not whether Gorbachev will last or even whether he will succeed or fail. The real issue is whether Soviet communism is evolving into a significantly more permissive and economically innovative system or whether it is decaying or even fragmenting." But the ability of the system to evolve into a more open society depends crucially upon the institutionalization of a more pluralistic political framework. Such a scenario, though, calls for the breakup of the party monopoly by monopolists themselves.

If the party refuses to let go of the power structure in society, then the crucial question becomes "whether economic reform can succeed if the party is unwilling to retract." As Brzezinski states, "Russian history and Soviet reality . . . both conspire against restructuring." "In brief," he concludes, "the fatal dilemma of the communist system in the Soviet Union is that its economic success can only be purchased at the cost of political stability, while its political stability can only be sustained at the cost of economic failure." The implications of this dilemma provide one with a lot to think about!

Brzezinski's book, though, is not just about the Soviet Union. He discusses current developments in Poland and Eastern Europe and China as well. The book addresses the "organic rejection" of communism as a justifying ideology of political power throughout the world. Communism has revealed itself as an utter political and economic failure.

"Communism's general crisis is deeply rooted in its deficient historical record," Brzezinski writes. That historical record reveals the extreme human costs associated with the communist experiment. "No experiment in social reconstruction in all of human history has entailed a higher price in human terms—or has been as wasteful—as humanity's encounter with communism during the twentieth century." "Humanity's catastrophic encounter with communism during the twentieth century," Brzezinski concludes, "has thus provided

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a painful but critically important lesson: Utopian social engineering is fundamentally in conflict with the complexity of the human condition, and social creativity blossoms best when political power is restrained."

This is an important book to read and discuss. It is a powerful book; the appendix tables in themselves provide an ample picture of the extreme failure of the communist economic system. *The Grand Failure* is a first-rate contribution to the politics and history of our time. □

Professor Boettke teaches in the Department of Economics at Oakland University, Rochester, Michigan.

CHOOSING A COLLEGE: A GUIDE FOR PARENTS AND STUDENTS

by Thomas Sowell

Harper & Row, Keystone Industrial Park, Scranton, PA 18512
1989 • 224 pages • $7.95 paper

Reviewed by David Hood

Thomas Sowell is a highly respected economist, scholar, and newspaper columnist known primarily for his work in the issue of race (*The Economics and Politics of Race*) and political theory (*A Conflict of Visions*). A Senior Fellow at the Hoover Institution, his scholarship is generally regarded as rigorous, thorough, and quite demanding for the reader. This makes it all the more interesting that his most recent book is geared primarily for high school students and their parents.

Choosing a College is a highly readable and eminently practical book, the purpose of which is to aid potential freshmen in the hunt for the perfect place to spend their next four years. In contrast to the large, statistic-filled tomes that one usually turns to for guidance, Sowell's contribution is more a "how-to" book that gives its reader a list of questions rather than a list of answers. Its major purpose is to prepare the reader for the college search, but in doing so Sowell also educates the reader about the current state of higher education. Therein lies the chief interest of the book to those readers not actively in the college hunt.

For example, one topic discussed by the author as he contrasts the different kinds of colleges and universities in the U.S. is the conflict between research and teaching at many institutions. Sowell points out that while many schools are known for their sports programs (Ohio State, UCLA) or their distinguished researchers (Stanford, Harvard) almost none are famous for their teaching prowess. This is a function of the way in which a professor rises in the ranks; a process where teaching plays almost no role at all, or may even play a negative role. At Harvard, for example, the cash prize for Teacher of the Year offered by the student body is referred to by some junior faculty as "travel money" since the powers-that-be infer that the exceptional teacher has been neglecting his research responsibilities.

Sowell has a reason for spotlighting the "research vs. teaching" debate. His point is to tell rising freshmen that they may wish to look at a smaller liberal arts school to get a quality education, instead of focusing all their attention on becoming an undergrad at Berkeley or Michigan. As he puts it, "World-class universities do not mean world-class teaching." This is due to extremely large class size, frequency of graduate student-taught courses, and more demands upon the time of full professors at those places known chiefly for their research product.

Advocates of liberty in education should note that Sowell recommends mostly small, private institutions for undergraduates—underscoring the fact that the tax-supported schools and their mammoth bureaucracies are not likely to provide such a quality education. The evidence for this can be found in the percentage of students in a given college that go on to gain Ph.D.'s. Most large universities, particularly state-supported ones, are not even in the top 70 in this category. However, lesser known colleges like Davidson and Occidental rank near the top.

Another theme in the book is that one should attempt to match the institution to one's ability to do the work. He gives the example of the student with less-than-average qualifications who happens to get into an Ivy League school. That student might consider himself lucky, but will he feel that way when he consistently scores at the bottom of his class?

Sowell uses this point to discuss the issue of minority admissions at the top universities, and how the affirmative action programs tend to harm those they were intended to help. He argues that college admissions officials, in their rush to get a skin color-conscious body count, often let in stu-

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dents who cannot do the work and who end up failing in college when they could have succeeded at less demanding institutions. At Berkeley, for example, the black student population has SAT scores that are above average nationally but are not comparable to those of the student body as a whole. As a result, nearly three-quarters of the black students fail to graduate, since the campus was mismatched with their level of high school preparation.

In pointing out this mismatch Sowell is not engaging in racism or bigotry, but simply arguing that SAT scores and other admissions criteria are related to expected college performance. By placing minority students at a campus where their SAT scores are much lower than the school average, one is hardly doing these students a favor —instead, one is guaranteeing that many of those students will fail. By way of illustration, Sowell notes that in 1987 only 600 black students scored 1200 or above on the SAT. Given that many of the top schools in the country have SAT averages at that level or higher, Sowell posits that many of these campuses will be forced to let in blacks with lower scores to fulfill their affirmative action goals. These students may not be able to keep up with their peers who attended higher-quality, better-funded secondary schools, and many may fail to graduate. This is hardly the "step-up" that affirmative action is supposed to provide to disadvantaged students.

The alternative for these mismatched students, according to Sowell, is that many of them will have to enter less demanding fields of study that will not be of much use to them even if they do graduate. This whole issue of "interdisciplinary studies," and majors that focus not upon a particular discipline but upon a geographic region or political perspective, is another topic in this book. Sowell advises caution in majoring in Women's Studies, Afro-American Studies, Peace Studies, and the like because such "disciplines" do not give their students a structured way of thinking as do the traditional disciplines—physics or sociology, for example. He argues that these subjects could better be covered within the framework of a real discipline, where courses are more likely to be of educational rather than of propagandistic value. Thus, the role of women in society can be understood much better within the context of a sociology or history class rather than in a women's studies class.

For the most part, however, Sowell's book deals with the nuts and bolts of the admissions process. He discusses application procedures, how to conduct campus visits, the right questions to ask, financial aid, and other matters of immediate interest to those searching for a college. All through the book he cautions against reliance on college admissions officials, professional educators, and many guidance counselors, who may have agendas that have nothing to do with getting a particular student matched with the right school. This is good advice for students and their parents, for whom the aura and status of particular universities may obscure what kind of education they can expect for their money. All in all the book will do much to de-mystify the whole college search process, and should become an invaluable resource for high school students and their parents. □

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